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BOMBAY BANK COMMISSION.

OF EVIDENCE TAKEN IN ENGLAND,

AND PROCEEDINGS THERE,

BEFORE

COMMISSIONERS

APPOINTED TO INQUIRE

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INTO THE

OF THE BANK OF BOMBAY.

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LONDON:
GEORGE EDWARD EYRE AND WILLIAM SPOTTISWOODE,
PRINTERS TO THE QUEEN'S MOST EXCELLENT MAJESTY.

1869.

BOMBAY BANK COMMISSION.

MINUTES OF EVIDENCE

TAKEN IN ENGLAND,

AND PROCEEDINGS THERE

BEFORE THE

COMMISSIONERS APPOINTED TO INQUIRE INTO THE FAILURE OF THE BANK OF BOMBAY.

Monday, 9th November 1868.

PRESENT:

President.

Sir CHARLES JACKSON.

Members.

Major J. J. McLEOD INNES, R.E. V.C.
MAXWELL MELVILL, Esq.

Secretary.

F. D. CHAUNTRELL, Esq.

(*Mr. Newmarch.*) Mr. President and gentlemen, before the witnesses are called, I request to be allowed to address a few words to the Commissioners.

(*President.*) For whom do you appear?

(*Mr. Newmarch.*) I am instructed by Messrs. Graham and Lyde to appear as counsel on behalf of the Committee of English shareholders, and certain individual shareholders.

(*President.*) Will you kindly mention their names?

(*Mr. Newmarch.*) I have not the names of the individual shareholders.

(*President.*) I shall be obliged if you will get them for us. I have no doubt that the person who instructs you will let us know both their names, and their number.

(*Mr. Lyde.*) We say that their number is upwards of 20, but we are not prepared to hand in their names now.

(*Mr. Newmarch.*) We will do so in the course of the day.

(*President.*) I am quite satisfied with that.

(*Mr. Newmarch.*) I have seen the correspondence which has passed between the Commissioners and Messrs. Graham and Lyde, in which the Commissioners say that they cannot recognize the appearance of counsel before them, and I would wish, with deference to the Commissioners, to be allowed to say a few words, hoping to induce the Commissioners to change that view.

(*President.*) Will you kindly state first of all what your application is, and will you give us that application in writing?

(*Mr. Newmarch.*) My application at present is merely to be allowed to act as counsel before the Commissioners on behalf of those shareholders whom I represent, and to be permitted to cross examine any witnesses.

(*President.*) You have not it in writing?

(*Mr. Newmarch.*) No, sir.

(*President.*) Then will you allow me to take down what you apply for?

(*Mr. Newmarch.*) I apply to be allowed to appear before the Commissioners as counsel.

(*President.*) As counsel generally?

Mr. Newmarch.) Yes sir; on behalf of the Committee of English shareholders, and certain other shareholders whose names will appear in to the Commissioners in the course of the day, and to be allowed to cross-examine the witnesses who may be produced before the Commissioners, and, if so instructed, to produce evidence before the Commissioners.

I may mention that at present I have been very imperfectly instructed and have not been able to have a perfect perusal of what has already place before the Commissioners. I observe what the Commissioners have allowed, but it appears to me that it would very much cripple counsel if he could only put his questions through the Commissioners themselves. I have jotted down very hurriedly a few points, which, with the permission of the Commissioners, I will mention to them now, upon which I think that the shareholders might wish to push the Inquiry, it not being the Inquiry which has been so very ably pushed by the Commissioners themselves in Bombay; but there being other points upon which the interests of the shareholders would wish them to push the Inquiry further, and with the permission of the Commissioners, I would mention some of those points, and they will see that the nature of the examination of witnesses upon those points will necessarily involve in a great measure a cross-examination, which could hardly be pushed with the vigour with which a cross-examiation should be pushed, unless the counsel were allowed to put his questions directly, of course subject to the discretion of the Commissioners in over-ruling any particular questions which he might wish to put.

The points, sir, which I have noted down are the following:—"What were the circumstances under which the important modifications of the old charter of the Bank of Bombay, and which appear in the new charter, were introduced into the latter; more especially, by whom and with what object they were introduced, and what consideration did they receive while in progress from the Government of Bombay and its officers, the Government of India, and the Home Government respectively?

What steps, if any, were taken to inform the shareholders of the nature of those modifications, and to obtain their consent to such modifications before they were passed into law?

How the Bill containing such modifications was introduced into and passed by the Legislative Council of Bombay, and was the nature of those modifications then taken into consideration by the Council, and their expedience inquired into, and, if not, owing to what causes did those modifications escape consideration?

After the board has been obliged to apply to Government for ascertaining, and the attention of Government has been positively called to the modifications in the new charter, and the difference between the charter of the Bank of Bombay and those of the Banks of Bengal and Madras respectively, what steps were taken to amend this charter?

Why were those steps so long delayed, or why did they not go further in assimilating the business of the Bank of Bombay and that of the Banks of Bengal and Madras?

What were the circumstances under which so large and rapid an increase was made of the capital of the bank after the passing of this new charter?

Was the expedience of making such increase considered by the Government of Bombay, and, if so, on what representations, or for what reasons did Government sanction the increase?

Mr. Blair, and tell him that we have no power under the Act (quite different from the Indian Act) to take anything except in public; and that therefore we must trouble him to come here. As at present advised we do not intend to subject him to cross-examination by counsel, but it will be by the Commissioners, unless we change our opinion by to-morrow morning; and we must have him here. The Secretary had better tell him that it is necessary, for his own character, that he should be here, and we shall see what the effect of that is first, and perhaps the Secretary had better see him himself. We must call the next witness.

SYLVESTER DOUGLAS BIRCH sworn and examined.

Mr. Birch.

9th Nov. 1868.

1. (*President.*) I believe you are a retired member of the Madras Civil Service?—I am.

2. I believe you were employed in Bombay in the financial department under the Government of India?—I was.

3. In the years 1862, 1863, and 1864, and the early part of 1865?—I am not certain of the exact time I commenced.

4. But at all events in 1863, 1864, and the early part of 1865?—Yes; I beg your pardon; I was so employed in 1862.

5. What office did you hold in Bombay?—Deputy Accountant General.

6. When were you appointed a Government director of the Bank of Bombay?—I have not the date, but it was shortly after my arrival in Bombay, which was at the commencement of July or the end of June 1859.

7. When were you appointed President of the bank?—I do not remember; I think that it was at the second meeting which I attended in Bombay.

8. You were appointed President at once, were you not?—No, I was not appointed, I declined to accept the office in the first instance, and Mr. H. B. Ellis was I think the President first.

9—10. When did you become President?—I think that it was at the second meeting of the Board after I arrived in Bombay.

11. When did you resign the office of President?—On the 28th of February 1865.

12. I find that the last meeting which you attended was on the 23rd of February?—Yes.

13. I believe that you had had considerable previous experience as a Government Director of Banks?—I had been Government Director of the Bank of Madras for very many years.

14. Then you were, unlike in that respect most of the Government Directors of the Bank of Bombay, namely, a person of considerable banking experience?—So I believe.

15. You, I suppose, have had full opportunities of observing the working of the old Act No. 3. of 1840, by which the Bank of Bombay was incorporated?—Yes.

16. You also, as chairman, no doubt carefully considered the proposed alterations which were afterwards engrafted into the Act No. 10. of 1863?—I did not.

17. Why not?—Because the Financial Secretary to the Government of Bombay had his seat at the Board. The charter was referred to a committee.

18. Why did you, as Chairman, not take into consideration the alterations. It was simply, I understand, because the Financial Secretary was on the board?—It was referred to a special committee of the board, and I was not on that special committee.

19. Was not the draft of the bill afterwards brought before the whole board, and discussed there?—Yes; but I took no particular part in it as chairman.

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20. Surely you ought to have taken a particular part in it?—I do not see that, when the Financial Secretary to the Government of Bombay was there. I was not in communication with them in that way.

21. But, as President, you were representing the bank interests as well as those of the Government. The Financial Secretary might represent the Government, but you, as President, were representing the whole bank. I shall have to take you through those alterations, and ask you whether you did or did not consider them. I will take you first of all through the proceedings. Was not it resolved by the board, on the 24th of October 1861, that a Draft Act should be prepared by the solicitors in consultation with two directors, Messrs. Scott and Foggo?—I thought that there were three directors.

22. No; there were two, namely, Messrs. Scott and Foggo; there was afterwards a change, and Mr. Baumbach came in when Mr. Scott retired. Do you doubt that?—No.

23. On the 7th of November 1861 it was presented to the board approved by the Committee, and the board resolved that it should be sent on to the Government. On the 20th of December 1861 there was a meeting of the proprietors with reference to the new Act; were you present at that meeting?—I do not remember it.

24. Your name does not appear as having been present at that meeting?—Very likely I was not present, for it was a rule with us in Madras, as Government Directors, not to attend meetings of shareholders.

25. But you did afterwards attend as President?—Yes.

26. Was this the resolution passed: "That the directors be authorized to enter into and make such arrangements with Government as may appear expedient and advantageous to the bank, for taking over the business of the general treasury at Bombay; and for the management of the currency here, and in the mofussil under Act 19. of 1861;" it then proceeds as follows: "That the Directors be authorized to take such steps for varying, altering, or annulling any or all of the provisions of the acts under which the bank is at present constituted, and for obtaining the re-incorporation of the bank as to them may appear expedient for securing the efficient working of the bank?—I have no doubt that I saw that.

27. You have no doubt that that was the resolution come to?—If it is on the records, I have no doubt about it.

28. I suppose that that meeting was duly advertized under the provisions of the Act?—I should imagine so.

29. No objection has ever been taken to it?—Not that I am aware of.

30. Was not Mr. Baumbach substituted for Mr. Scott on his retirement as a member of that committee of the board?—I do not remember.

31. On the 3d of February 1863 there was a consultation of the Directors upon the draft bill, was there not, after the Committee had done with it?—I presume that it would be submitted to the Directors.

32. You do not seem to have been present on that occasion either, but you read the alterations, and saw what alterations were actually made?—No doubt I did.

33. Did you observe that the Act No. 3. of 1840 prohibited the discount of negotiable securities on which the responsibility of two persons did not appear?—Yes, I knew that.

34. Did you remark that the new Act contained no such provision?—I did not remark it at the time.

35. Did not you remark that the old Act contained a provision that no negotiable securities were to be discounted which had a longer time to run than three months?—I knew that.

36. Did not you remark that the new Act contained no such provision?—I believe that I knew that.

37. Did the old Act provide that money should not be lent in any way for a longer period than three months?—Yes.

38. And the new Act did not contain any such provision?—I believe that it did not.

39. The old Act provided that no money was to be lent on any bank share or certificate of shares?—It did.

40. What was the provision in the new Act? Did not the new Act provide that the bank might advance, and lend on the security of shares in any of the public companies in India?—I forget what the exact words used were.

41. "Other public companies in India"?—Yes, I believe so.

42. Did not the old Act provide that no money was to be lent either by way of discount, loan, or cash credit, or in any way to any individual or partnership firm for a greater amount than three lacs?—It did.

43. Was there any such limitation in the new Act?—There was not.

44. The old Act provided that cash accounts might be kept and that deposits might be received, but the new Act contained besides a provision that cash accounts might be kept and money received by way of deposit, a provision that cash credits might be granted without any restriction as to how or in what way they were to be granted, or within what amount; did you remark that?—I believe that I did.

45. The old Act contained a provision that there should be no discount or loan granted, unless the cash in the possession of the bank, and immediately available, should be equal to at least one fourth of all the claims against the bank outstanding at the time, and payable on demand?—It did.

46. And that was omitted in the new Act?—I believe it was.

47. Probably that omission was in consequence of the power to issue notes being taken away?—I imagine that it was.

48. Did not the old Act provide that no person keeping an account with the bank should be allowed to overdraw it?—It did.

49. Did the new Act provide that?—I do not know whether it provided it or not.

50. It did provide for it originally in one of the clauses of Schedule B., but that schedule was struck out by the Legislative Council. Were you aware of it?—No, I was not. I do not remember it.

51. Did not the old Act require that the consent of the Governor General should be given to any increase of the capital?—I do not remember that.

52. It did. Do you remember whether the new Act required that?—I do not.

53. It did not. You must know that you never got the consent of the Governor General to the increase of capital.—To which increase?

54. To either of them. By the old Act you could not increase the capital without going to the Governor General for his consent. There is no such provision in the new Act?—I do not believe that we did get the consent of the Governor General.

55. But that was one of the alterations in the new Act, that you did not require his consent?—Yes.

56. Another alteration of the old Act made in the new was, that whereas the capital of the concern was formerly limited to about half a crore, power was given to the shareholders to increase the capital to two crores and ten lacs without the consent of anybody?—Yes. Before you proceed may I call your attention to page 69 of the Blue Book, where it appears that I suggested "that it might save time, were the bank required to submit to Government a copy of its present charter, modified in reference to the proposed alterations in the constitution of the bank, that the opinion of the law officers of the Government might be taken." It was referred to me I imagine as Accountant-General, and I sent back this answer.

57. It was no doubt so referred, we have examined the Advocate-General of the time upon it. Was it your opinion that these alterations in the new Act were advisable or proper or prudent?—It depends upon how they were worked out, in themselves I could see nothing wrong.

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58. You think that this great body of alterations was a wise and prudent measure if properly carried out?—If properly carried out.

59. By whom do you mean?—By the board and the bank officers.

60. Do you think that it was a wise and prudent measure to allow the discount of a promissory note with a single name?—It would depend upon who the party was, and what the amount was.

61. But you think that it was a prudent measure to introduce into a bank charter a provision that that power should exist. No doubt occasionally there might be some persons to whom you might lend money without any promissory note at all, but do you think that it was a wise banking measure to allow the bank to lend money on a negotiable security with merely one name. Do you think that it was a wise enactment to authorize the authorities of the bank to do that?—I cannot see any harm in it.

62. Do you think that it was a wise enactment to put no limit upon the time for which bills and loans were to run?—No, I do not.

63. Do you not know that long loans in all banking experience are always considered to be bad banking?—I do.

64. Are not they always apt to become what are called dead loans?—Something very like it.

65. Do you think that it was advisable to enable the bank authorities to lend money upon the shares of the public companies in India?—It would depend upon what those public companies were.

66. But there was no restriction upon the nature or kind of public companies, the words are "other public companies in India"?—The first Act specified only the railway companies.

67. It was not the Act No. 3 of 1840, but it was an Act subsequently passed which was engrafted on that Act, and which enabled you to lend on railway shares; but this provision allowed you to lend money on the shares of public companies generally, do you think that that was a wise measure?—It is impossible to give a general answer to that question. I do not see how you were to restrict it, and how you were to pick out the companies. Were you to specify the whole of them or to leave it to the directors.

68. Neither does there appear to have been any restriction upon your advancing money on shares, the calls upon which were not paid up, nor any restriction upon your advancing upon the premia of shares. Do you think that wise and prudent?—No.

69. Then there ought to have been that restriction to prevent the bank doing such things as that, that you must admit, do not you think so?—I think that it would have been advisable.

70. We shall go through a great number of these cases presently, when we take you through the changes in the practice. I therefore will not ask you further now about those changes. I think you have told me that you knew of the fact, that Schedule B., which was originally in the Act No. 10. of 1863, was struck out by the Legislative Council?—Did I tell you so?

71. I understood you to say so.—I think not. I think that you told me.

72. Were you aware of that schedule being in the draft when it was sent up to the Legislative Council?—I never saw the draft that I remember.

73. Did you never see it before it was sent up to the Council; surely as President, with the responsibility attached to that office, you would have seen so important a document before it went up to the Council?—I do not remember it.

74. Then you do not remember that Schedule B. at all?—The first two provisions were a part of the old Act.

75. They were, but a great number of those were provisions which were struck out, and which are not now in the new Act; you do not recollect that?—I do not remember.

76. When the Act was passed, did not you then find out that the Schedule B. had been struck out?—I do not remember it.

77. Did Mr. Robertson call your attention to the fact that Schedule B. had been struck out of that Act?—I do not remember it.

78. Did any member of the direction suggest the necessity of passing some byelaws?—It was suggested.

79. Was not it suggested on the ground of Schedule B. being struck out?—I do not remember.

80. In point of fact, did you take any steps whatever to have any byelaws passed?—I think that steps were taken at one time.

81. Long after you left India?—No, I think before.

82. Can you tell me when?—I cannot.

83. Will you undertake to say that any byelaws were ever prepared from the passing of the Act No. 10. of 1863 down to the 31st of March 1866?—No, I cannot.

84. Then, in fact, we may assume that there were no byelaws; they would appear somewhere or other, I suppose, if there were any, and you could refer to them?—If they were passed, I could refer to them.

85. We find none.—Do you find no minutes about them at all?

86. No, nor has any one ever suggested that any byelaws were passed. I think that we must assume that there were no byelaws?—I suppose that you must.

87. Surely byelaws were necessary?—In what way do you mean?

88. Surely it was necessary to pass some byelaws to determine the powers of the Secretary in granting discounts and cash credits, or open or fixed loans; surely his powers ought to have been defined in some manner?—I thought that they were defined.

89. We shall come to that presently; and I shall be very glad if you will point out how that was done. You do not recollect any such byelaws?—I do not.

90. Upon those words, "other public companies in India," I shall not ask you any questions as to how they got into the Act, because the Commissioners have already thoroughly disposed of that point; but those words appear to have excited the observation of the board directly the Act passed, did they not, if they never attracted their attention before?—I believe that there was a resolution passed by the board not to act upon them, but I think that I was not in Bombay at that time. I was at Poonah upon three months' leave.

91. Then you had nothing to do with this most prudent resolution which was passed at that date?—Perhaps not, but I heard of it after I came back.

The President reads from the board minutes as follows:

"Resolved, That for the present, and until further orders, any application for advances on any bank shares, or of any other public company other than Government banks, be submitted to the board and not granted by the secretary."

92. You had nothing to do with that resolution of the 6th August 1863; you were at Poonah?—I was at Poonah.

93. But I suppose that you were aware shortly afterwards of the passing of that resolution?—I was.

94. And I suppose that you approved of it?—I did.

95. I believe that you were a very industrious chairman of the Bank of Bombay?—May I ask what you mean by "industrious"?

96. That you were at the bank almost every day?—I believe that I was not.

97. The evidence which we had before us in India was that you were there almost every day?—May I ask whose evidence that was?

98. I think that Premchund Roychund said so?—I think that you yourself said that I was there for an hour every day, and you referred to Mr. Premchund Roychund, and he said "yes," but I deny it.

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99. How often were you at the bank?—I was at Poonah in July, August, and September 1864, and when I returned from Poonah I looked in occasionally, but very seldom, for I was very ill. I do not suppose that I was once a week at the bank.

100. Other than the board day?—Other than the board day. I was at my office at 11 o'clock every day, and I never left my own house till a quarter past 10, and I think that your secretary will bear me out that I could not have driven from my own house to the bank under half an hour. Perhaps you will allow me to show you a note which I received directly I saw that statement. This note is from my assistant, Mr. J. L. Hynes, now of 27, Burton Crescent.

101. (*President.*) This is the question which I put to Premchund Roychund on the 31st August, "I suppose there is no man in Bombay that we could select better qualified to tell us how the business of the bank was transacted, is there?" And this is his reply, "There are plenty of other men in Bombay who were directors of the bank. I know something of the way in which the business was conducted. During the time when Mr. Blair was secretary, Mr. Birch was chairman. I think he attended at the bank every day, or at all events almost every day, just to talk to Mr. Blair and consult about the business of the bank. He used to come every morning from his house. Sometimes he would stay for one or two hours." That was the evidence of Premchund Roychund, and I think that we had also a statement of Sir Bartle Frere's very much to the same effect. If I understand you aright, it is that you were not an industrious chairman, but the very contrary?—I do not say that at all.

102. Then what do you say?—I do not see that it was the chairman's business to go to the bank every day.

103. I was suggesting something in your praise when I said that you went there every day, but you indignantly repudiate that, and you now say that you attended there once a week. Do you think that you did properly attend to your duties as president of the bank if you attended there only once a week?—I think that I did. I do not define the days on which I did go. The evidence shows that I went there for an hour and a half to two hours every day. I say that I did not, but that I went occasionally there, but certainly not more than twice a week besides the board day.

104. What do you consider that your duties as president were?—I do not see that I had any greater duties than the rest of the directors, except at the boards, and the conduct of the proceedings of the boards.

105. You did not consider that you were in a more responsible position than any other director?—I did not.

106. What is there a president for?—For the conduct of the proceedings, and for the secretary to refer to in cases of emergency.

107. Then there is something which he has to do; in cases of emergency the secretary has to consult the president?—The secretary has to refer to the president; he may consult him.

108. Those are some of his duties?—They are.

109. Are there any others?—I hardly know what you refer to.

110. I may be ignorant, but it strikes me that the position of the president of the Bank of Bombay is a very responsible position. I should have thought so. I should have thought that it was his duty more especially to look after the conduct of the secretary and the manner of conducting the business. I should have thought that he was more especially responsible. I want to know what your views of his duties are?—I do not consider that that was my special duty.

111. Then I understand that all you consider your duty to have been, was to answer any questions which the secretary might put to you in an emergency?—I suppose that I exercised a general control over the bank, but not a special one.

112. You think that you exercised that general control over the bank by going there once a week besides board days?—Twice a week. Previously to 1864 I was there very often when the bank's capital was very small.

113. How is it that you were there previously to 1864 when there was very little business doing, and were not there in 1864 when a great deal of business was doing?—Because I was in good health before, and I was very ill in the greater part of 1864.

114. You did not resign your position as president?—I would very gladly have done it. I declined to be elected in the first instance, and we had refused in Madras to serve as president, that is to say, any of the Government directors, and it was only on the representation from the board and the secretary that the accountant-general had always held that office in Bombay that I was induced to take it.

115. I ask you particularly whether you were consulted as to the different alterations after the introduction of the new Act?—I have no doubt I was.

116. Were you consulted with respect to each particular discount, cash account, or fixed loan, or open loan, which was granted?—I was not.

117. Were you consulted with respect to the large transactions?—No; I was away for three months in July, August, and September 1864 at Poona.

118. The first period in which all the great mischief was done in the bank is between the 1st of June 1864 (we may almost say the 1st of July) and the 1st of May 1865. You say that you were not there in July, August, and September 1864?—I was not.

119. Do you mean to say that you were never consulted when a large loan, say of ten lakhs, was granted upon a promissory note?—When do you mean?

120. The Eastern Financial Association, for instance?—No, I was not. May I refer to the statement in the Blue Book?

121. The statement in the Blue Book is extremely incorrect, and we shall have to examine by-and-bye those who prepared it. I am merely taking this as a specimen. On the 18th of October 1864 ten lakhs were passed across the counter of the Bank of Bombay upon a promissory note?—The promissory note of whom?

122. The promissory note of the Eastern Financial Association?—No; if I had anything to do with it, it was in the name of all the directors.

123. It was simply signed by Mr. Ryan, the secretary. In a large loan of this kind were you consulted?—Will you take another case. Will you take the loan on the 8th of November 1864 to the Alliance Financial Corporation?

124. There are two, one on the 21st October 1864 for five lakhs, and another on the 8th November for five lakhs?—I remember a note which they wished to discount, and I remember Mr. Blair bringing it to the notice of the board.

125. Which was that?—I cannot tax my memory as to which it was; it was a discount; the transaction on the 21st of October 1864 was a discount; the bill had the names of the individual directors to it. I think it was so. I remember Mr. Blair asking one day at the board whether he might discount it, and I am not certain who was there, but the answer by some native director was "certainly not, do not take the name of the corporation, but mind that you get the name of each of the directors upon it, and their individual responsibility."

126. As you have referred to that case we will pursue it. Did you know of a cash credit granted to them a few days afterwards (the 8th November 1864) for exactly the same amount, five lakhs?—I do not remember that.

127. Then am I to understand that you were not even consulted as to the granting of this very large amount?—I prove that I was.

128. Yes, on one occasion, but I refer to another?—I do not remember it at all.

129. Were you constantly referred to, or can you give another instance in which you were referred to?—Yes; in this one instance that I have referred to.

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130. Was it the habit to refer to you in very large amounts?—No, it was not, so far as I remember.

131. What was your view of the duties of the secretary?—How do you mean?

132. For instance, what were the limits of his power of advancing?—By himself?

133. Yes?—His power was very small, I should say, about two to three lakhs.

134. You thought that he had the power of advancing to the extent of from two to three lakhs upon his own responsibility?—No, I do not think that he had it upon his own responsibility. I think that he was obliged to consult a director.

135. What limit do you think there was upon the power of the secretary?—I think that his power was very small.

136. What amount could he, in your opinion, advance without consulting anybody?—I think that he always had the power of advancing to a small amount, but I cannot say exactly what.

137. But surely as chairman of that bank for years you ought to know what his powers were?—If I could refer to the old charter you would see what his powers were; his powers were restricted there.

138. We are asking now about the new charter. During the time when you were president of the bank what check did you put upon the secretary? What were the limits to the power of the secretary?—I cannot tell you what the amount was, but I think that it was very small.

139. You say that there were no byelaws. Will you point out any resolution limiting his power during the time that you were president?—Was there any resolution giving him the power?

140. No, not that I am aware of, but I ask you whether there was any resolution limiting his power?—I do not believe that there was.

141. Do you remember certain propositions of Cowasjee Jehangeer with the view of increasing the power of the secretary?—I do. I remember one.

142. He says (I am reading from the Minute), "From what I saw to-day in the charter the manager in the above bank has no choice, and the management of the bank is altogether left in the hands of the board of directors. I propose that the directors should memorialize the Government to add a clause authorizing the manager to vote on every matter which comes before the board, or ask for his views only on finance arrangements. Please put this note before my colleagues, and I will bring forward before the next board a motion to the above effect." Then he says in another letter, "Sir, the directors of the above bank this day rejected my proposition (*reading the same*); but in doing so I must express my opinion as to the effects of trusting the whole management to the directors without the manager having a voice, and explain to you as a proprietor my reason for doing so; I must explain in detail (*reading the same*), as such I consider most vicious to maintain in a public institution such as the Bank of Bombay." His object was to give very great power to the secretary, was it not?—His object was, I believe, to give the secretary a veto over the board.

143. You very properly put a stop to this proposition of Cowasjee Jehangeer, and you were supported by most of the directors, and you made the observations which are recorded upon that minute which I would ask you to read, but I think that what you wrote requires some little explanation. You say this: "In the course of the discussion which has arisen out of Mr. Cowasjee Jehangeer's notices it has been shown that the power which he wishes to confer on the secretary and treasurer of the bank is practically conceded to that officer, and I am of opinion that it is consistent with the proper and effective management of the institution." Will you kindly explain what you meant by that?—He says that the management of the bank is altogether left in the hands of the board of directors. I do not think that it is. I think that the secretary has a voice in everything. I was secretary of the bank of

Madras for two years, and therefore I rather felt that the secretary should have some such power as I myself had. I opened the Bank of Madras.

144. As I understood it, Cowasjee Jehangeer proposed to give absolute power to the secretary, and a veto over the directors, and then I find that you write these words,—"In the course of the discussion it has been shown that the power which he wishes to confer on the secretary and treasurer of the bank is practically conceded to that officer." What are we to conclude from that?—His voice in the management.

145. Does not that lead us to the conclusion that you were of opinion that he had very great and exceptional powers?—I do not see that.

146. What other conclusion do you draw?—What I have stated, namely, that he had a voice in the matters which came before the board.

147. "And I am of opinion that it is consistent with the proper and effective management of the Institution." Do you think that there is anything in that minute to lead us, or to lead anybody, to suppose that the secretary's powers are in any material degree restricted?—His powers of what.

148. His powers of advancing money?—Certainly I do.

149. How?—Because he never had the power.

150. How do you show that?—I was writing for those who knew the whole.

151. And not for those who did not. Those gentlemen whom we have examined have been unable to show us any resolution or any byelaw restricting the authority of the secretary, and we wish you to show us how that authority is restricted?—That may be.

152. We wish you to give us a more satisfactory explanation of your minute?—I have given you what I believe to have been the case.

153. I do not dispute that. I suppose that there was no very great difference in the management of the bank between Mr. Robertson's time and afterwards and the time of Mr. Blair?—What was Mr. Robertson's time?

154. Mr. Robertson, in writing a letter to the Board on the 7th of March 1866, states these to be the powers of the secretary: "Bank of Bombay, Bombay, 7th March 1866. My dear Hannay, I consider that according to the practice in the bank for some years past, I, as officiating secretary, am empowered to act as follows: 1. To have the entire control of the establishment, head office, and branches (of course under the directors). 2. To discount bank bills and bills on good houses of a currency not exceeding 60 days. There is no limit, but I have hitherto seldom taken over three lakhs of the paper of one house. 3. To grant temporary advances to banks, houses, and other constituents of the bank. 4. To discount bills, and to grant loans and credits on personal security to well-known men. N.B.—Since I have been acting the times have been so exceptional that I granted very few advances without consulting at least one director. 5. The renewal of bills, loans, and credits I consider is left to my own discretion, of course bearing in mind the order of the Board not to renew for the full amount if possible, but to get 25 per cent. in cash. Some bills, &c. for special reasons have been renewed in full. 6. To purchase Hoondees for the purpose of providing branches with funds. 7. To purchase and sell bills on Calcutta and Madras. 8. To purchase and sell gold and silver bullion. 9. Power given in July last to attend meetings of creditors of parties indebted to the bank, to agree to propositions made at such meetings, to sign trust deeds, &c. at my discretion. I think these headings include everything. I may say that I consider the order of the president in every case sufficient authority for me to act under, should he not request me to refer any matter to some of the other members of the Board." That is signed "D. Robertson." You, of course, are not responsible for Mr. Robertson's proceedings, as he was the secretary after you left India; but he says, "I consider that, according to the practice of the bank for some years past, I, as officiating secretary, am empowered to act as follows." Do you agree with that?—I do not.

155. You do not think that he had those powers?—I do not.

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156. Can you point out to us anything which limited them?—No, I cannot; nor can I point out anything which gave them that I am aware of.

157. There is a resolution of the 4th of May 1865, shortly after you left, which shows that the Board did then think that the secretary had very large powers, because they put a limit upon them of a most minute kind; but I will not now trouble you with that. Before I leave this point I will ask you again, Will you point out to us what check you had upon the secretary or his proceedings; because it is important for yourself, as holding the situation which you held, that you should be able to satisfy us that you had a check upon him?—The books were laid upon the table every board day, and everything which the secretary had done was in them, according to my belief.

158. You thought so?—I did.

159. The "Application Book" was put before you?—What do you mean by the "Application Book." There were, I think, no books when I first went into it, excepting a small book. I am not certain, but I think not.

160. What was the practice as to discounts under the old Act?—They were sent round with short minutes.

161. I do not refer to that, but were two names of independent firms required to bills which were to be discounted?—They were.

162. The old practice required that a bill should be limited to three months?—Yes.

163. The old practice was to have a discount list?—An "Opinion Book."

164. There was that too, but I mean a "Discount List." Mr. Stuart's evidence distinctly is that the old practice was to have a "Discount List," which was revised from time to time?—That was the "Opinion Book."

165. There was no other than the "Opinion Book?" There was no other than the "Opinion Book" that I am aware of. Does Mr. Stuart go on to say that it was prepared by the commercial directors, and was revised by the Government directors.

166. I think so?—That is what was called the "Opinion Book."

167. The old practice limited the advances to three lacs?—It did.

168. Under the new Act, after a short time, a practice sprang up of discounting promissory notes with only one name, did it not?—I believe that it did.

169. As a matter of fact, was it not the case that very often bills were discounted which had a longer period to run than three months?—I am not aware of it.

170. Are you not aware of any bill which had as much as nine months to run?—I am not.

171. Did not a practice spring up of referring bills for discount to a native director?—I do not know that they were referred to a native director, but the secretary, I think, had power to refer to one.

172. Did not the practice in your time spring up of referring those cases to Cowasjee Jehangeer or to Premchund Roychund?—Those were always small bills.

173. Cowasjee Jehangeer, I think, retired from the board early in June 1864?—In July, I think.

174. To whom were those bills referred after that time?—To Premchund, as long as he was a director. He had no power when he was not a director, but I dare say that his opinion was asked over and over again.

175. When he was a director his opinion was always taken as to those native bills?—It was.

176. Will you undertake to say that his opinion was not taken when he was not a director?—I will not say that it was not taken, but no one had any right to act upon it.

177. Under the old Act what was the practice as to cash credits?—There were no cash credits except upon Government securities.

178. And all cash credits granted were entered in the "Application Book"?—I believe so.

179. And that "Application Book" was laid upon the table of the board at every board meeting during all the time that you were President?—I do not believe that there were any books brought before the board during the first part of the time that I was there.

180. We do not go further back than the 1st of August 1863, but from that time the "Application Book" was always laid upon the table of the board, was it not?—It was.

181. That "Application Book" should contain every application for a cash credit?—Every cash credit granted.

182. What was the practice under the new Act as to cash credits?—In what way do you mean?

183. At first no cash credit could be granted, except upon Government paper, or guaranteed railway shares, or bullion; what were the cash credits granted upon under the new Act?—I do not remember.

184. Almost immediately after the passing of that Act were not cash credits granted upon promissory notes?—Not that I am aware of.

185. Be very careful, because it is an important matter?—I cannot recal any to my recollection.

186. Are you not aware that cash credits were granted on promissory notes during the year 1863, after the passing of the Act?—I cannot recal any to memory.

187. You were not aware of that fact?—I do not think that I was, so far as my recollection serves me.

188. Do you mean to say that so very great an alteration in the practice of the bank as granting cash credits on promissory notes could take place without your knowledge as President?—I do not remember it.

189. If I were to show you a list of them in this book (*referring to* A 33), would you be surprised?—I think that I should.

190. Here is one on "October 2nd, Roychund Deepchund one lac," and another of the same date "Premchund Roychund, one lac." Those and many others entered in the book were simply on personal security; the entries were made by Mr. De Ga?—I do not remember that.

191. These should all have been entered in the "Application Book," should they not?—Certainly; I should say so.

192. There is not one of them entered in the "Application Book." You will see that it was the continued practice, if you look at this book, to grant those cash credits down to June 1864; we will take that period first?—Yes.

193. I think that it was in June 1864 that the great share mania set in?—Or before.

194. It may have been gradual, but that was the time when it first broke upon Bombay; the shares in the Back Bay, and the Financial Association of India and China, and all the other speculations then started?—Yes.

195. I find contemporaneously with that, a Resolution of the 2nd of June 1864. I see that you were President, and were present on the occasion of the passing of this Resolution to which I wish to call your particular attention?—I remember it.

The same was read by the Secretary as follows:

"2nd of June 1864.—It is respectfully suggested, that the number of credit accounts might be greatly increased, if the system practised in Scotland was introduced, viz., on a bond for a certain amount being signed by the party requiring the accommodation with one good name as security, according to the credit of the party. At present no person, with however good credit, can have a credit account with the bank, unless he can lodge Government paper as security, besides his having a bond which has to be renewed every three months; whereas if the

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above system was adopted, the account might run on from year to year, interest being charged at the current rates on the daily balance of the account, and added at the end of every six months when the books of the bank are balanced. There should be a clause in the bond empowering the bank to call up the credit at any time. The bond should also provide for three years' interest at current rates. Agreed to."

196. I see that you were President, and were present on that day?—I was.

197. Were you at that time, viz., the 2nd of June 1864, aware that it had been the constant habit of the bank from the October previous to do the very thing for which authority was asked?—I was not.

198. You were not aware of the falsity of this statement: "At present, no person, in however good credit, can have a credit account with the bank unless he can lodge Government Paper as security, besides signing a bond which has to be renewed every three months." You were not aware that that was untrue?—No, I was not; not to my recollection certainly. The system practised in Scotland is one which I have always advocated.

199. Is there any such Scotch system as granting cash credits with one name?—So I believe.

200. All the authorities say just the reverse, and that they always require in the case of cash credits two names?—I had always understood that it was upon one name.

201. Who was the person that suggested this?—I dare say that I was. I am not certain, but I think that it is very likely that I was the person, because I suggested the same in Madras.

202. Then you were the person under whose instructions this scroll Minute was drawn up?—I am not aware that I was.

203. It so happens that this scroll Minute is drawn up correctly, and really does state the Scotch practice; originally it stood as follows:—"It is respectfully suggested that the number of credit accounts might be greatly increased if the system practised in Scotland was introduced, viz., on a bond for a certain amount being signed by the party requiring the accommodation, together with two good names as security." That was the original proposition; who was it that altered it? That you say was your proposition?—I proposed it in Madras, I believe, and I should certainly have proposed it in Bombay.

204. Then it was your proposition, and it was your understanding, that the Scotch system to have two names for a cash credit?—I do not know that I drew it out.

205. But you say that you proposed it in Madras, and that you believe that you proposed it in Bombay?—On one name, I think. I do not know that I proposed it; I know that it was discussed.

206. I thought you said that you had proposed it?—Not to put it in a resolution.

207. Who did propose this; somebody must have proposed such an alteration as this?—Perhaps you know.

208. I know something about it; but I wish to know who was the person that proposed it?—That I do not remember.

209. Can you tell me in whose handwriting that alteration is?—Mr. Blair's I should say.

210. Who authorized him to change the statement from what was the fact, viz., that a Scotch cash credit required two names and not one name?—I cannot tell you.

211. You were President at that time, and that is the scroll minute of that board meeting?—I cannot say who proposed it. I do not think that I did.

212. There must have been some discussion, an alteration of that kind could not have taken place without some discussion?—I suppose that it could not.

213. Do you mean to say that Mr. Blair took upon himself the responsibility of making that alteration in a minute which you believe to have been suggested by yourself?—I do not know; it was done at the board I presume.

214. Then I suppose it was done at the board with your knowledge?—I presume it was.

215. How came you, as president, to allow a correct statement as to the Scotch cash credit being upon two names to be altered into one name?—Because I believed that it was one name.

216. Can you show us any authority for that statement?—I cannot now.

217. We have had two or three statements made showing the contrary, namely, that the Scotch system always required two names. Mr. Blair was a Scotch banker, was he not?—He had been, I believe, an assistant in one of the Scotch banks before he came out to Bombay.

218. You cannot account for this extraordinary relaxation of the cash credit system?—I cannot.

219. And I am to understand that you were wholly ignorant of the fact that cash credits had for months previously been granted upon the very terms which this resolution was passed to authorize?—I have no recollection of that whatever.

220. You never before saw that little blue book which I have handed to you?—I do not remember to have seen it. I think that if I had seen it my initials would have been placed to it.

221. I do not think that you could have seen it. It was kept by Mr. De Ga, the head of the cash credit department, for his own protection. Did you ever see these interest books, which were the only other books in the bank upon which these cash credits appeared (*handing Exhibits A.* 28, *A.* 29, *and A.* 30 *to the witness*)?—I do not remember them if they were not laid before the board.

222. They were not laid before the board. Will you try to refresh your memory and tell us who it was that suggested this resolution? You believe that it was yourself; cannot you tell us positively who it was that suggested this resolution?—I cannot.

223. It is, I admit, very unfortunate that we have not had Mr. Blair to examine before calling you?—I wish that you had had him.

224. Do you believe that all the directors were equally ignorant with yourself of the existence of this practice?—If I did not know it, I do not suppose that they did.

225. Mr. Foggo told us that he had never heard of the practice?—That is very likely. Was Mr. Foggo present at that meeting?

226. No; he was not a director then; he retired in 1863. What was the practice under the old Act as to loans?—I believe that they were passed by the secretary.

227. Upon what security?—On Government promissory notes or on goods.

228. Or guaranteed railway stock?—No, I think not; at least I do not remember it; they may have been passed upon it.

229. They were only granted, I believe, for short terms?—Three months.

230. What was the practice under the new Act?—In what way?

231. Upon what security did you begin to grant loans?—Upon the same security.

232. Surely you are aware that the bank granted them upon the promissory notes of the parties?—All of them were upon promissory notes, so far as I remember; there were no bills of exchange.

233. You do not understand me; I am now asking you about fixed loans. Upon what security did you grant fixed loans after the passing of the Act?—I am not aware that they were granted upon anything else except upon Government securities (Government securities had died out altogether and in fact there were none) and on goods.

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234. Do you mean to say that during the whole of the years 1864 and 1865, when you were president, you never heard of any loans being granted upon promissory notes and mere bonds?—I do not think that I did.

235. You never heard during the latter part of 1864 and 1865 of any loan being granted upon a mere promissory note and a mere bond?—I do not remember it.

236. Here is one by Brown and Best for two and a half lacs. (*Exhibit* A 131.) Did you never see this?—I do not remember seeing this.

237. You never saw this bond of Cursetjee Furdoonjee (*Exhibit* A 51) for 6,25,000 rupees for instance?—I do not remember it.

238. These are most extraordinary documents. Did you ever see any bonds of this kind?—I do not remember them.

239. You observe that the first states as follows: "We have deposited in the Bank of Bombay personal security to the amount of Rs. 2,50,000, the words "personal security" being expressed by the letters "P.S." However, we will speak to Mr. Blair about this; it is more in his department. Were you aware of loans being granted for long periods?—No, I was not.

240. You never heard of a loan of 21 lacs being granted upon personal security?—No; I do not remember it.

241. You never heard of its being granted in August 1864, and not being payable till nearly twelve months afterwards?—No; I do not remember it.

242. You do not recollect Byramjee Hormusjee Cama having a long loan?—No; I recollect his having a loan.

243. Do you remember Mr. Foggo making any objections to the system of referring bills to native directors for their opinion?—I do not.

244. Did you know of intimate relations subsisting between Premchund Roychund and Mr. Blair?—No.

245. Were you aware that they were on very intimate terms?—I know that Mr. Blair knew him, but I was not aware that they were on intimate terms.

246. Were you aware that he gave Premchund a book of blank forms of promissory notes to fill up with the names of any people that he liked?—No, I was not.

247. When did the bank, according to your knowledge, first commence lending actually on shares; I mean on shares virtually and substantially?—Not till the resolution was passed in April 1865.

248. You are not aware that money was lent to buy shares, and that the share certificates were to be deposited for safe custody in the bank?—They may have been deposited for safe custody, but money was not lent to buy shares with that I am aware of.

249. You are not aware that a practice had sprung up before you left, and long before that resolution of April 1865, of lending money on the security of shares, the share certificates being deposited in the bank for safe custody?—I do not think that the loans were made upon that security, but if Mr. Blair thought that he had not sufficient security in the man himself, he might have taken the shares as colleratal security in that way.

250. You did not know that at the Kalbadevi branch loans were made openly in that way?—I thought that all the Kalbadevi cases were referred to Mr. Blair.

251. You were not aware that the agent there was openly advancing upon shares before April 1865?—I was not.

252. You were not aware that the resolution of the 6th of August 1863 was practically rescinded?—I do not think that it was rescinded.

253. I say practically rescinded?—If Mr. Blair was not perfectly satisfied that the man was good enough for the amount he took shares from him as collateral security.

254. Were those transactions brought before the board as they ought to have been under the resolution of the 6th of August 1863?—I am not aware that they were.

255. Would it not have been your duty as president to have seen that they were brought before the board?—I presume that the loans granted were entered in the application book, which was laid upon the table, or the promissory note, or whatever it might be.

256. It would not be so; negotiable securities were not entered in the "application book," they were entered in the "register of bills," which was not laid before the board. That was Mr. Stewart's evidence as to the old time?—There were no books I think in the old time, but I think that there were afterwards.

257. In point of fact was not it lending on shares?—No, I do not think that it was.

258. Would the money have been lent if those shares had not been deposited?—Perhaps the whole of it would not have been.

259. Then was not it to a certain extent lending on shares?—I do not want to fence the question, but I do not think that it was.

260. Then what do you think?—I think that if a man applied for a large loan, and Mr. Blair thought that he was not good for it, he would say, "I will give it to you, but you must deposit so and so, for safety."

261. Then Mr. Blair in fact took the security of these shares, did he not?—He did.

262. How came you to know this?—I heard of it afterwards, but not at the time.

263. When did you first come to the knowledge that Mr. Blair was lending money on shares?—I am not aware that he ever was lending on shares solely.

264. When did you first become aware that Mr. Blair was lending money, and getting share certificates deposited for safe custody?—I do not remember.

265. Did you know it long before you left India?—I do not think that I did long before I left India.

266. When did you first know it?—I do not remember, or I would tell you at once.

267. It appears that Mr. Blair did let you know as to some of his loans which he was making?—I heard that loans had been granted in this way.

268. And I suppose that when you heard it you inquired, and looked into those loans?—I told Mr. Blair that he had no right to do it.

269. Why had he no right to do it?—Under that rule.

270. You therefore thought that it was lending upon shares?—No; I did not think so at the time.

271. Then what wrong did he do?—He had them in safe custody.

272. Did you approve of the practice?—No.

273. If you did not approve of the practice what steps did you take to put a stop to it?—I do not think that I knew it until a very short time before I went away.

274. Can you remember the particular case which was brought under your attention?—I cannot.

275. Were you aware that Mr. Blair was in the habit of lending money for the purpose of buying shares, upon the promise of the certificates of those shares being brought into the bank?—I was not.

276. And having no other security than the shares which were bought with the money lent?—I was not aware of that.

277. Were you ever consulted as to renewals of these large loans?—I do not remember that I was.

278. You do not mean to say that you allowed large loans of ten lacs or five lacs to go on being renewed without looking into the matter?—I may have done so.

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279. Surely it was your duty to look into the matter. Is it good banking to go on renewing loans time after time?—I do not think that it is. It is a system which prevailed very much in India.

280. Did you take any steps to put a stop to that system?—I did not.

281. Then I understand that you left the renewing of the loans to the secretary?—I do not remember their being brought before us.

282. In point of fact the renewals of the loans were left to the secretary, were they not?—I presume they were.

283. How was it that you, as president of the Bank, even supposing that you only went there so seldom as you mention (which I have no doubt is correct), did not know that such enormous sums were going out in October, November, and December 1864, why did that not strike your attention?—I knew of the loan to the Alliance Financial Corporation, which I have mentioned, but I do not remember the others at all.

284. Were not you in the habit of looking at the "daily book"?—No.

285. That book was regularly laid on the board table?—I knew very little of the names of people in Bombay.

286. It does not give a single name, but it shows large sums of money as going out?—I dare say.

287. When you saw that ten lacs had gone out the day before, did not you inquire where they had gone?—I heard the other directors asking questions from the books lying on the table, and Mr. Blair answering.

288. You did not make yourself informed as to these large loans?—I do not remember it.

289. Did you know that Mr. Blair was receiving allotments?—I knew that he did receive an allotment.

290. What allotment?—Of Back Bay shares.

291. Did you not know that he was receiving allotments of the shares of many other companies?—I did not.

292. Did not Mr. Blair give you information from time to time as to what allotments were to be got?—No, not that I am aware of.

293. Did you know that Mr. Blair was speculating in shares?—I did not. Will you allow me to explain? I knew that Mr. Blair had two shares in the Elphinstone Land Company, they ran up to a premium of 1,86,000 rs. each. Mr. Blair, speaking to me one day, mentioned them, and I said, "Why do you not sell them and get out of the country." His answer was, that he wanted them for an investment, and that he should keep them. Moreover, he said that he had been asked by one of the directors to vote upon the new scheme, and that he should not even vote. His Back Bay shares, I understood from him, he got as an investment.

294. Then you did know of his having an allotment of Back Bay shares, and of his having shares in the Elphinstone Land and Press Company?—He had shares in the Elphinstone Land Press Company I believe when I arrived in Bombay.

295. Are you prepared to say that you did not know that he held any other shares?—I do not remember. I do not think that I did.

296. He never told you that he was receiving allotments?—No.

297. Did he tell you that he was borrowing money?—Certainly not, I always thought that Mr. Blair was a man of money, and had no occasion to borrow, he gave his own security to the bank.

298. You never heard of his borrowing money from the Asiatic Bank?—No.

299. You never heard of his borrowing money from Premchund Roychund?—No.

300. Or from Roychund Deepchund the father of Premchund?—No.

301. Did you know that Mr. Robertson was receiving any allotments?—I knew that he had some shares in the Back Bay Company.

302. Did you know that he was receiving allotments in anything else?—No, I did not.

303. Are you quite sure?—I am almost positive.

304. Did you know that he was trafficking in shares, buying and selling?—No.

305. Or Mr. Blair?—No.

306. Did you know that Mr. Rodgie was receiving allotments?—I think that Mr. Rodgie had an allotment in the Back Bay Company. I am not certain.

307. Did you know that Mr. Maclean was receiving allotments?—No.

308. Did you know that either of those persons was buying and selling shares?—No.

309. Did you know that they were entering into speculations with other people?—No.

310. You never knew anything of it?—No.

311. But I think that Mr. Blair knew that you were receiving allotments?—I dare say he did.

312. I think that Mr. Blair was the medium of some of your investments in those shares?—How do you mean the medium?

313. I mean to say that you employed him, that you gave him cheques to pay for your shares.—I gave him a cheque to pay the allotment made to me in the Back Bay scheme.

314. He knew then that you were having allotments of the Back Bay shares?—Yes, and he knew that I had some shares in the Financial Association of India and China.

315. Did he know of any other of your allotments?—I am not aware of it.

316. Here is a power of attorney which I think you executed in Mr. Blair's favour (*handing Exhibit* U 1 *to the witness*), authorizing him to sign for you for your Back Bay shares?—Yes.

317. Then it is quite clear that he knew about that?—Quite.

318. How came you to give him that power of attorney?—I was at Poonah at the time, and I sent a cheque to Mr. Blair in a registered letter. That is not a general power, it is a special one.

319. The first four items in this account of yours with the Oriental Bank are cheques drawn in favour of Mr. Blair?—The first item is 40,000 rupees.

320. There are four items, two as secretary and treasurer, and two as James Blair personally. Does not that show that to a certain extent he was the medium through which you paid for some of those shares?—The first item does, the others do not.

321. My object now is to know what knowledge the officers of the bank had of your proceedings. There are those four items for which cheques are drawn in Mr. Blair's name?—No, excuse me, the first two are in the name of the secretary and treasurer of the Bank of Bombay.

322. And then there are two to "James Blair"?—Yes, one for 1,250 rupees and the other for another amount.

323. Were any of those for allotments?—Two were for calls to be paid into the Bank of Bombay.

324. What were the other two?—The other two were for Back Bay allotments.

325. Did Mr. Robertson know that you were receiving allotments?—He must have known that I was receiving these allotments, because they passed through the bank.

326. Did not the officers of the bank know, in point of fact, that you were receiving allotments?—I dare say they did.

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327. Will you tell us what were the allotments which you did receive. Did you not on the 1st of June apply for six Back Bay shares?—I did.

328. That is your letter asking for them (*handing Exhibit R* 1. *to the witness*); that is your handwriting I think?—Yes.

The letter was read as follows:

"My dear Scott,

" If I am out of rule excuse me. The other day you kindly said you would make a note in your book and remember me at the proper time, Cowasjee also wrote me that you had agreed with him to take me into consideration when Back Bay shares were allotted. I would not trouble you, but nothing was said about the number; Gup has it that individual applications are for large lots. I am not very grasping, but if for this occasion only you will consider the President of the Bank of Bombay, the Accountant-General, and the trainer of Raby, that very fast horse, a swell, and allot him 6. six shares I shall not object, as I can take that number up.

" I have gone in for a few 'financial associations,' sufficient to qualify myself for that London board, and if I hear from you that I am likely to get a seat at the Asiatic board I shall qualify for that. These will give me quite employment enough.

" I remain,
" June 1st 1864. Yours sincerely,
(Signed) S. D. BIRCH."

329. Can you explain how it was that when you only asked for six of these valuable shares you obtained eight.—When I asked for six it was supposed that the Government were going to have one fifth of the shares, which were Four hundred. Before they were allotted it was known that the Government would not take them up. When there was a large amount to distribute I asked Cowasjee Jehangeer and Mr. Scott to put me down for two more, making eight. The Back Bay scheme has been called a "bubble scheme" and "the notorious Back Bay scheme." I believe that a scheme for the reclamation of the Back Bay has been in existence for many years, and it was not until Mr. Scott and Cowasjee and these gentlemen came forward that it was taken into the serious consideration of the Government. It was supposed then that Government would be a large shareholder in it, they promised to take 400 shares, I think; they were reserved for them, and they were not allowed by the Home Government to take them up.

330. You are inaccurate there, the Governor-General stopped them.—But it was supposed at Bombay that they were taken up. I merely want to show that it was not a bubble scheme.

331. To whom did you apply for the two additional shares, to Cowasjee Jehangeer?—To Cowasjee Jehangeer and Mr. Scott.

332. You got these eight shares through the influence of Mr. Scott and Cowasjee Jehangeer?—I believe that I did.

333. Did you ask anybody else?—I did not.

334. Did you ask Premchund Roychund?—I did not.

335. Did you ask anybody else to interest himself in your behalf?—I did not.

336. At what premium were those shares on the day that they were allotted to you?—I do not remember.

337. Were not they at a premium of 10,000 rupees each?—They might have been.

338. Did you not sell three of those shares on the 25th of November 1864 at a premium of 25,000 rupees?—I did.

339. On the 28th of December you sold two at a premium of 45,000 rupees?—I did not sell them, the Oriental Bank did so.

340. On the 28th you also sold two shares at 45,500 rupees premium, on the 6th of January 1865 you sold one share at 45,000 rupees premium; the consequence was that you realized by those shares 3,41,000 rs.?—Yes.

341. And it was a clear profit to you of 30,000 pounds, that is to say three lacs?—It might have been.

342. I strike off 1,000 rupees for stamps and charges and commission, that would leave you a clear profit of three lacs upon that transaction, is it not so?—It is so.

343. You told us that you sold on the 28th of December from Back Bay shares?—The Oriental Bank sold them for me.

344. Of course under your direction; there was 45,000 rupees premium on the 28th of December and 45,500 premium on the same day?—May I make a remark with reference to my application to Mr. Scott?

345. Certainly?—I put down in my letter that I was "the trainer of Raby." It arose out of a joke when I was examined in Elliott's case as to the civil fund in Madras. I was secretary to the civil fund, and I was sub-treasurer, and a great many questions were put. I said, "I do not know So and So as sub-treasurer, but I do know it as secretary to the civil fund." Sir Christopher Rawlinson said, "You can answer as secretary to the civil fund, or sub-treasurer, or master of the Madras hounds, or captain of the volunteer cavalry, or secretary to the turf fund; you will be good enough to answer the question in either of those capacities." It was simply a joke between Mr. Scott and myself, and I put in the words "trainer of Raby" as well.

346. With respect to these shares sold for you on the 28th of December 1864, how did you get the information to enable you to sell on that day, which was the very day on which Back Bay shares were highest in Bombay?—I left them to the Oriental Bank to sell; they were deposited with the bank in a sealed packet in October for safe custody, and none of them were sold, I think, until the end of November, and then three were sold, and then when they went up in December I ordered the bank to sell the rest.

347. How was it that you gave instructions to the Oriental Bank to sell those shares on the very day that they were highest in the market?—I did not give instructions to the Oriental Bank to sell them on the very day. I gave them instructions to sell the remainder of the shares, and they exercised their own judgment.

348. Did you not receive any information that that was about the culminating point?—I did not.

349. Are you quite sure that Premchund Roychund did not tell you so?—No.

350. Or Cowasjee Jehangeer?—No; nobody, I believe, saw that at that time.

351. Are you aware that that was the day on which the shares were at the highest?—No; I am not.

352. I believe that you got an allotment in the same month of June 1864 of 150 shares in the Financial Association of India and China?—I did.

353. At what premium were they on that day?—I am not aware.

354. You got an allotment of 100 shares of the new issue in the Financial Association of India and China?—No, there was only one issue that I am aware of.

355. What were the numbers of [illegible]lo not remember; there

[illegible] new issue?—No; I

[illegible]ne company?

[illegible]ıot remember

[illegible]?—Here are

[illegible]*anding a*

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361. You did not take them up?—The original shareholders may have had them, but I sold my shares.

362. Then they may have been issued upon the original allotment, and some other person may have taken them up?—They stood in my name for a long time, but I have a letter here which shows when the transfers were effected; it is a letter from Mr. Gerrard, the deputy manager of the Oriental Bank, to whom I wrote to give me some information about my account.

363. When did you transfer those shares?—Not till very late in the year. I do not think that 50 were ever transferred.

364. They were transferred at the end of 1864?—Yes.

365. Will you point out the item in your account of the sale?—On the 28th of June and on the 29th of June 1864.

366. That is the allotment?—No, those are the sales; they were paid for on the 8th of June and on the 15th.

367. What did you pay for them?—15,000 rupees.

368. And you sold them for 62,750?—I did.

369. I think that in October 1864 you got an allotment of two shares in the Mazagon Land and Reclamation Company?—Yes; they were paid for on the 17th of November by a check for 6,000 rupees.

370. You sold those shares on the 31st of January and the 1st of February 1865 did you not?—The Oriental Bank did.

371. But of course under your orders?—Yes; but it is a different question whether I sold them myself or whether a public bank sold them.

372. What profit did you sell them at? What was the price?—12,000 rupees premium. I sold them for 18,000 rupees.

373. There was a clear profit of 12,000 rupees on that transaction?—I believe so.

374. What was the premium on those shares at the time when they were allotted to you?—I am not aware of that.

375. Was not that allotment a present to you of 12,000 rupees?—I do not know what you mean by a present.

376. It amounts to a present, does it not?—I cannot see it; there was no restriction upon Government servants having shares in these companies.

377. To whom did you apply for those Mazagon land shares?—To the promoters.

378. Who were they?—I do not remember. I sent the application in the usual way. I applied to no one in particular.

379. Those shares were allotted by Premchund Roychund, were they not?—I am not aware.

380. To whom did you apply for the allotment in the Financial Association of India and China?—To the directors.

381. Who were they?—Mr. Willis, I believe, and others. I forget how it was worded, but I think that it went in to them generally.

382. On the 1st of February 1865 I believe you got an allotment of five Port Canning shares?—I

383. At what premiu … I do not know, but I believ…

384. We had it pr… allotted to you the…

385. To whom … no one else that …

386. You ne…

387. You … I did.

388. Y… I am aw…

389. You paid for those shares on the 3d of February 1865?—I believe that I did.

390. You hold those shares now?—I do.

391. And you received a small dividend on those shares?—I believe that I did.

392. On the 28th of January 1865 I think you received another allotment?—In what?

393. Two United Victoria and Colaba shares?—They were paid for on the 8th of February; they were paid for through the Bombay Joint Stock Corporation.

394. At what premium were they?—I do not remember.

395. At what premium did you sell them?—They were sold for 18,000 rupees on the 28th of February, that is a premium of 4,000 rupees each, making a profit of 8,000 rupees.

396. Did you get allotments in the Asiatic Bank?—No, not in the first issue.

397. When did you become an owner of shares in the Asiatic Bank?—On the 14th of February 1865. That represents the item of 10,000 rupees in my account. Mr. Hannay allotted them to me, and I hold them now. It was not an allotment of original shares. I had no original shares, it was the second issue. I applied to Mr. Hannay, or to the bank for them.

398. The evidence before us is that the only persons entitled to shares in the new issue were those who had shares in the old?—I think that that is a mistake. I paid 15*l.* each for them besides what the share was. I got them at a premium.

399. Did you get an allotment letter?—I had them with me to bring here, but Mr. Turquand was summoned to produce them. I paid for them to qualify myself for the London Board. I placed my banking account at the disposal of the Commission immediately they went out, and when Mr. Prentiss found that I was to be examined in England, I think that he told Mr. Chauntrell that he thought that any explanations had better come from myself. I understood then that my account was not to be made public.

400. There is nothing which takes place before this Commission which will not be made public?—I mean to say that I never tried to conceal this account.

401. No one ever suggested that you did. I want to see these allotment papers, because we were not able to see them in India.

(The original letter of allotment was produced by Mr. Turquand, the official liquidator of the Asiatic Bank, and read by the Commissioners.)

(*Witness.*) I understood that the new shares were all issued at a premium. I paid a premium of 75 per cent. for my shares.

402. In what other companies did you receive allotments?—I had two shares, I believe, in the Victoria Land and Press Company, I am not certain but I believe so.

403. They were at a premium too?—They were I believe.

404. When were they allotted? what did you pay for them?—That I do not remember. They were sold for 16,000 rupees on the 13th of February.

405. What premium did they fetch?—That I do not know.

406. They were sold at a premium?—They were.

407. What other shares had you allotted to you?—I had two in the China bank; I am not certain, but I think that that was one of the very first.

408. They were at a premium at the time of allotment, were they not?—I do not think that they were; the China Bank never came to anything; it was opposed in China. It was not started.

409. What else was there?—I had 50 shares in the Veterinary Stables allotted to me.

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410. Were they at a premium?—I think not; I hold them still, and they are worth nothing.

411. Did you ever enter into any share transactions with any person?—None whatever with anybody.

412. You had no speculation in shares?—None whatever. I never bought a share in Bombay, or sold one either, excepting these which you have before you.

413. Are you aware of the Government orders against civilians dealing in shares?—No, I am not.

414. Are you not aware of the order issued by Sir George Clerk?—There is no order that I am aware of.

415. Are you not aware of its republication by Sir Bartle Frere?—No.

416. Have you never seen that order, and the minutes by Sir George Clerk, republished by Sir Bartle Frere?—I have seen it since I have been home.

417. Did you never see it in India?—I saw a part of it.

418. But surely it must have been a subject which interested you?—Why?

419. It rebuked very much the practice of civilians purchasing shares in the places where they resided?—I do not remember it.

420. And a very long minute by Sir George Clerk was republished by Sir Bartle Frere and his Government when you were at Bombay?—The result of it was what?

421. It does not appear to have had any value with some persons certainly?—It may not have had with some.

422. Do you mean to say that you did not know that it was against the orders of Government to receive allotments of shares?—I did not.

423. You knew of those orders you say?—I knew of that publication.

424. Did you consider your conduct a compliance with those orders?—I knew of no harm in it.

425. The circular of the Bombay Government sets forth an order of Sir George Clerk, and also another minute by Sir George Clerk, and a resolution of the Government of India, the Government circular was published in Bombay in November 1864. There is an order of Sir George Clerk, of the 15th of November 1861, and one of December 1861, set out?—It says, "in banks or other companies except as simple shareholders."

426. Yes; but that is in much older orders?—It does not say anything except that Government servants trading in shares should lose their promotion.

427. That is your interpretation of it?—Yes.

428. Putting the Government orders aside, do you think that it was right in a gentleman holding your position to put forward your office as a ground, and to apply for shares at a premium at the time?—I did not put forward my office.

429. You say, "I am not very grasping, but if for this occasion only you will consider the President of the Bank of Bombay, the Accountant-General, and the trainer of 'Raby'"—that very fast horse, "a swell?"—I think that that shows that it was merely a quiz.

430. "And allot him six shares, I shall not object." Do you think that it was right in a person holding your position to put forward your office, whether it was connected with any other or not?—Will you take those words with the context?

431. Do you think that it was right to put forward your office when receiving what was at the time a present of 80,000 rupees?—I did not put forward my office.

432. Do you think that you would have got that money if you had not held your office?—I do.

433. Do you think that you put yourself in a position to protect the bank when you took all these allotments from these scheming parties who established these companies?—I think that I was quite in a position to do my duty there.

434. Do you think that you put yourself in a position to protect the bank against parties coming there for discounts, loans, and cash credits?—Yes.

435. Do you think that the acquisition of these shares was known to almost all the officials in the bank?—I dare say that some of them were aware of it.

436. Do you think that you put yourself in a position to protect the bank against its own servants in those transactions?—I should have protected the bank if I had been aware that these gentlemen were trafficking in shares.

437. Did you put yourself in a position to call Mr. Blair or any other servant of the bank to account and to dismiss him when they knew that you were doing the same thing?—Doing what?

438. Taking allotments of shares.—Perhaps not.

439. Did you put yourself in a position to protect the bank as against their customers?—Yes.

440. Were not many of those customers the donors of those allotments to you?—Some of them were. What do you mean by "donors"?

441. I mean that they allotted those shares to you, which were simply presents of money, on the day when you got them.—I do not admit them to be so.

442. You may not admit them to be so; but there is no question that it is a present of that premium to a man who gets those shares when they are at that premium in the market. I now wish to take you through the items of this account, and to see that I have every one of them quite accurately. Have you your Oriental Bank Account. I will take the credit side?—What is the first date?

443. 27th June 1864, by Bank of Bombay, 21,750 rupees?—That is correct.

444. Was not that money paid in by notes by yourself?—No; I think not.

445. According to the Shroff's account it was by notes paid in by yourself. —I do not think so. It is put "Bank of Bombay."

446. 21,750 rupees, and 41,400 rupees; those are what you realized by your shares in the Financial Association of India and China?—Yes.

447. The next item is "15th October 1864, by D. Robertson," "received from D. Robertson 5,925 rupees." What is that?—I am not aware what it is, but I think that it arose from the sale of 2 China bank shares. I have not seen Mr. Robertson.

448. The China Bank shares were sold at a premium?—I think that that is the China Bank shares, but I am not certain.

449. Then what can it be?—I do not know. I had no transactions with Mr. Robertson whatever. It may have been money which I took to him, and asked him to send, or anything of that sort, if I was at the bank.

450. He must have paid you the money?—No, he paid the money in to my credit at the bank.

451. Then you must have given him the cash?—I suppose that I did. I do not remember the transaction at all. I may have asked him to pay in the money for me, and if so they would have put it as paid in "by D. Robertson."

452. That would be so if he paid so many notes, but if you had given a cheque payable to D. Robertson it would have been in your name. Either D. Robertson paid in the money, or it was a cheque payable to D. Robertson. —I think that most likely I gave Mr. Robertson the money in notes, and asked him to pay it in.

453. It is a very unusual thing to give notes in India for a large payment, usually it would be a cheque?—It was no cheque of mine.

454. It would be a cheque paid in to your credit. It appears as if you employed Mr. Robertson to sell those shares, and that he got a cheque from

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the buyer in his own name.—I will leave Mr. Robertson to explain that, I had no transactions with Mr. Robertson whatever.

455. The next item is 90,000 rupees for shares of the Back Bay scheme, the next is 100,000 rupees, and the next is 101,000. The next is one share in the Back Bay Company, 50,000 rupees. The next is 9,000 rupees for one share in the Mazagon Land Reclamation Company?—Yes.

456. And on the 1st February 1865 I find one share in the Mazagon Land Reclamation Company, 9,000 rupees?—Yes.

457. The next item is "13th February, credit by self," Rs. 16,000. I find that you paid it into the Oriental Bank yourself in notes?—Yes.

458. The next item is "20th February 1865, by self, cheque on Bombay Presidency Bank," 4,697 rupees, what is that?—I believe that it was a cheque for the furniture and fittings of a house which I was then occupying.

459. The next item is "21st February, by cheque on Royal Bank," 5,500 rupees?—I think that that was a race lottery account, it was my account paid in by Mr. Crawford. I remember it because I was not at the dinner myself, but I took some tickets, and I was told the next morning that I had drawn a prize for 5,500 rupees.

460. The next item is 18,000, that is what you realized by the two shares of the United Victoria and Colaba Reclamation Company?—Yes.

461. "30th June deposit, Rs. 10,269," what is that?—It is a deposit note of the Asiatic Bank for 10,000 rupees and interest, less stamp; but you will see on the other side an item "by second call."

462. Upon the 30th December, "Deposit note and interest," Rs. 5,294?—On the opposite side you will see "3rd call on 100 shares, Asiatic Bank."

463. On 23d May 1866 you got your dividend on five Port Canning shares, 124 rupees?—Yes.

464. On the other side there is "8th June 1864, Bank of Bombay," 10,000 rupees, what was that?—That was for shares of the Financial Association of India and China.

465. What was the next item?—5,000 rupees for the same thing.

466. Those cheques were given to Mr. Blair to pay, were they not?—No, I think not. I think that you will find that the calls were made payable to the Bank of Bombay.

467. For the Financial Association?—Yes.

468. The next item is "James Blair, 40,000 rupees," that is the deposit on the Back Bay shares?—Yes.

469. The next item is "To James Blair, 1,250 rupees," what is that?—I believe that that was for the stamps on the issue of shares. The cheque is crossed to the Asiatic Bank.

470. The stamps could not be so much as that on those calls, could they?—I do not know; the cheque is payable to James Blair, and it is crossed "Asiatic Bank."

471. "To Financial Alliance Corporation, Limited, 6,000 rupees," that is your payment for the Mazagon land shares?—Yes.

472. The next item is "3d February 1865, to Asiatic Bank, 5,000 rupees"?—That was for the Port Canning shares.

473. "The Bombay Joint Stock Company, 8th February 1865, 10,000 rupees," that was for United Victoria and Colaba Company's shares. "February 1865, Asiatic Banking Corporation, 10,000 rupees," that was for your Asiatic Bank shares?—Yes.

474. You are sure that you never employed Mr. Donald Robertson, the secretary or deputy secretary, in your time in any of these payments for the Back Bay shares?—I did not.

475. I think that you stated in the course of the examination that you were aware that money was lent, shares being deposited for safe custody?—Yes, I believe that I was aware of it.

476. Then, in fact, you were aware that the secretary was doing that?—To a certain extent, but it was very late, I believe just before I went away.

477. Either you must have known that the secretary was doing it upon his own responsibility, or you must have sanctioned it yourself; which was it?—I did not sanction it myself.

478. Then you must have known that the secretary was doing it upon his own responsibility?—I knew that he had been taking some of these shares, but I did not know it at the time when the loans were granted.

479. But it so happens that these loans, when this thing was being done, were about the largest loans of the time. How is it that when you knew of those loans, you can tell us (I am sure that you will not tell us when you reflect) that the secretary's powers were limited?—I do not think that he had power of himself to grant them.

480. Then did you prevent him from making these loans upon these shares being deposited?—I did not consider that they were upon the shares which were deposited.

481. Upon what else were they. It is not necessary that there should be a regular transfer?—He might have made a loan, and have thought that it was not sufficiently covered by the man's credit.

482. You knew that he was lending money in this way?—I knew it just before I left, I believe, but I cannot call to my recollection when it was.

483. How is that so, because these large loans took place chiefly in 1864, and you did not leave till the end of February 1865?—I left at the end of February 1865.

484. It appears to me that it is impossible that you can say that you thought that the secretary's power was limited to a very small sum, when you knew that he was lending those large sums on shares?—I did not know that he was making these large loans on shares, according to the best of my recollection.

485. You must have known it before you went away; you have said so?—I did, but not at the time when they were made.

486. What steps did you take when you found it out?—I did not know what the amount of the loans was.

487. Why did not you inquire; surely it was your duty to inquire what these loans were, unless you were a mere cypher in the bank?—I was not a mere cypher, but I was very ill when I came back from Poonah, and went very little to the bank, and had very little to do with it.

488. The general impression left upon our minds from the whole evidence was that you were there continually?—I think that you will find that that was not the case.

489. I will now refer to the increase of capital. I believe that on the 27th of August 1863 it was resolved by the board to increase the capital one half, that is to say another half million?—Yes.

490. And on the 3rd of September 1863 also there are two resolutions to that effect. I believe that you were not in Bombay then?—I was in Poonah in July, August, and September 1863.

491. I believe that there was a consultation about it in your house at Poonah; Mr. Foggo and one or two other directors happened to be up there?—Yes.

492. And you consented to make that increase in the capital?—Yes; I do not think that you can call it an increase to the capital, it was merely a substitution of paid up capital for banking capital; the bank had 60 lacs of rupees of banking capital; its circulation was withdrawn, which deprived it of the use of that; therefore it was merely a substitution of paid up capital for banking capital.

493. I am not finding fault with the first increase of half a million. There was a special general meeting called pursuant to a resolution of the 3rd September 1863, for the first increase, was not that so?—I do not know.

494. The general meeting of the shareholders was held on the 21st September 1863. The previous resolution of the board is as follows: "Resolved, that the President of the bank, through the Secretary, be

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requested to state his views of the expediency of doubling the bank's capital, the board being of opinion, that if the capital is increased this season, it should be done at once, and that the board be requested to obtain the views of the members not now present upon the subject." Afterwards it was resolved, on the 3rd of September 1863, "that a special meeting be called to consider the increase of capital." I believe that the usual advertisements were issued calling that meeting?—I presume so.

495. You never heard that they were not?—No.

496. What time did the Act require in the way of notice?—I do not remember.

497. On the 11th of February 1864 Cowasjee Jehangeer proposed to increase the capital by another half million?—Yes, I believe so.

498. "Cowasjee Jehangeer gives notice that at the next board he will bring forward a motion to increase the capital by one half." "Resolved, that a special meeting be held on Monday, 7th March. A proposition will be laid before the meeting to consider the expediency of increasing the capital to 52,25,000 rupees." You were present at the meeting of the board on that occasion?—I was.

499. You approved of that second increase?—I did.

500. The usual advertisements, I suppose, were issued for it?—I presume that they were.

501. Then there was a special general meeting held on the 7th March 1864, at which there were 10 shareholders, not directors, present. You were not there?—I do not remember that.

502. Do you know that a meeting was called, and that a further increase of half a million was resolved upon?—Yes, I think so. I think that you will find that Mr. Steel was in the chair.

503. He was. Before the increased capital resolved upon at that meeting was called up was not another general meeting called by 16 proprietors?—Yes.

504. And they proposed a still further increase of capital of another half million?—Yes.

505. There was another special general meeting called for the 9th of June 1864, was there not?—Yes.

506. I believe you made a speech upon that occasion?—I believe that I did.

507. You said, "Before we proceed to business it may be as well that I should mention that this meeting has been called in no spirit of opposition to the directors, but had its origin in a suggestion made by myself. One of the members of the board brought under discussion the proposition which forms the subject-matter for consideration this morning. The majority of the board, whilst concurring generally with him in the necessity for a further increase to the capital, were not, however, prepared to bring the question forward at once. They did not think it expedient to recommend it to the shareholders until the call already made had been disposed of." It appears from that that you were the person who suggested this increase of the capital?—Does it?

508. Does it not?—No, certainly not. I suggested the course which was pursued by the shareholders to call a general meeting themselves.

509. You said, "It may be as well that I should mention that this meeting has been called in no spirit of opposition to the directors, but had its origin in a suggestion made by myself"?—That is the meeting.

510. Am I to understand that you approved of this increase of the capital or not?—I believe that I did, but not at the time, there was a discussion by the directors before, it is alluded to there.

511. Perhaps you will take the Minute Book yourself?—I merely wished to see whether there was anything as to how the directors voted; I cannot refer to the date, because I have not got it.

512. Did you or did you not approve of this increase of the capital?—I approved of the increase being made after the other had been paid up.

I am not certain; I have an impression in my own mind that it came to my own vote, and that I gave a casting vote against it.

513. You said in your speech "one of the members of the Board brought under discussion the proposition which forms the subject matter for consideration this morning. The majority of the board, whilst concurring generally with him in the necessity for a further increase of capital, were not, however, prepared to bring the question forward at once." Therefore your casting vote could not have been given against it. You go on to say—"They did not think it expedient to recommend it to the shareholders until the call already made had been disposed of. It was urged by their colleague that the subject had been pressed upon his notice by several influential members of the proprietary body, and it was then pointed out to him that such being the case, the shareholders would relieve the directors of all responsibility, and strengthen their position with those resident in England, if the course of procedure which has been adopted were carried out"?—It was the shareholders calling a meeting themselves.

514. What am I to understand from that, did you, or did you not, approve of these two last increases of capital?—I did.

515. Do you think that they were wise increases of capital? I am not asking about the first. I think that that might have been allowable, but I ask you as to the last two increases?—I think that considering the trade of Bombay, and so on, we had a perfect right to bring up the capital of the Bank of Bombay to that of the Bank of Bengal, which was all that we did. At that time the Government had transferred their business to us. We had opened branches in the faith that what had been done to the Bank of Bengal would have been done to us, and that wherever we had opened a branch the Government would have transferred their business and the treasury balance to us, which was never done. On the 12th March 1864 the capital of the Bank of Bengal was one crore and nine lacs; they doubled it at once.

516. When you had this increased capital, did you not find that you could not lay it out. Was not there the greatest difficulty in investing it?—I think that it was intended at first to lock-up some of it in Government securities.

517. Is not that a condemnation at once of raising further capital?—A small part was proposed to be so locked-up, not a large part.

518. Is it not a fact that you had the greatest difficulty in investing this capital when you got it?—I had not very long experience of it.

519. The capital was raised in July 1864?—When was it paid up?

520. The whole of the capital was paid up in January 1866. Were you the person who suggested that a part of the capital should be locked-up in Government paper?—I was not.

521. What was your view about that?—I did not see that there would be any harm in it at the time, for a small part of it.

522. Can you explain this item in Mr. Hannay's speech. "That much for the benefit of the shareholders; the system of investing in Government paper was given up under the presidentship of Mr. Birch, one of the ablest financiers which it has been my good fortune to meet with in India." They had locked-up the whole of their capital then.

523. You had objected to it before?—Certainly.

524. Then you would have agreed to an increase of the capital; locking up a part of it?—Only a small part of it; but Mr. Hannay said that the whole of it was locked-up in Government securities.

525. Is it not a matter of fact that within your knowledge that in the latter part of 1864, and the beginning of 1865, the bank had the greatest difficulty in finding investments for this large capital?—It was not doubled then.

526. That seems to have been the date of the last payment?—But were the calls met?

527. I do not know. Here is the return (A. 25[1]). I do not see there when the calls were paid, or anything of that kind, but I ask you whether

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you had not more capital than you knew how to invest?—Just at that time I presume that we had.

528. What were your reasons for supposing that there were at that time any good grounds for the employment of so large a capital?—The general trade of the place.

529. Did you not know that a great number of new banks and Financial Associations were starting at the same time?—I do not think that that would have interfered with us.

530. Would not it have taken away a great deal of the banking business, did not that enter into your calculation?—It did not.

531. This return from the bank's books (A. 25[1]) shows that all the capital was taken up in all the issues, except forty-seven shares which were afterwards sold by the bank, do you happen to know that of your own knowledge?—I do not.

532. Was it not the fact that at the time when you were increasing this capital there were sixteen banks in Bombay with an aggregate capital of 12,768,000*l.* started?—I am not aware.

533. That did not at all enter into your calculations?—I did not consider those banks, they were most of them exchange banks, that is to say those which held any amount, there was the Oriental Bank, they professed not to do any discount business.

534. I believe that the new shares were at a premium when they were issued?—I believe that they were.

535. In consequence of Mr. Blair's absence I must take you through these loans, which otherwise I should not have done. We will take the first which is the Alliance Financial Association, 21st October 1864, a bill of five lacs?—Yes.

536. That bill was in the names of the directors. Then a cash credit was granted on the 8th of November 1864 of five lacs?—I do not remember that.

537. You do recollect the first transaction?—Yes.

538. What do you recollect about that?—I recollect Mr. Blair asking the board whether he might discount a bill for the Financial Corporation. I forget who the native director was, and he said that he was not to take the Financial Corporation, but that he might take the individual responsibility of the directors, and get them all to sign.

539. Do you know who those directors were?—No; but it was stated at the time that they were men of immense wealth.

540. The first was Mr. T. Diver, an uncovenanted medical man in a small business, the others were Atmaram Madhowjee, Ghellabhoy Pudumsey Sewjee Velljee, and Hurbhun Nursey, every one of those men was a speculator to the largest amount?—I understood that they were all men of great wealth, and it was so stated at the time.

541. Did you not know that their wealth consisted in shares?—I did not, I knew very few of the natives in Bombay. I was not a Bombay civilian.

542. Did you not inquire what bills were running at that time against those gentlemen?—No, I thought that it was the first which they had had.

543. It was not anything of the sort, because Mr. Diver and Atmaram Madhowjee were liable for enormous amounts to the Bank of Bombay when you granted that sum; they had only ten days before borrowed ten lacs from the bank. You did not inquire into the outstanding liabilities?—No. It was put in that way whether Mr. Blair might advance to the Alliance Financial Corporation so much, and it was said "No," but that he was to take the individual responsibility of the directors.

544. You never heard of the next sum of five lacs on the 8th November 1864?—I do not remember it.

545. Did not you require any security to be given for that sum?—No, not that I am aware of, their credit was considered as most good.

546. Did not you know that at that time speculation was raging throughout Bombay?—In what?

547. In everything; in shares and land?—I knew that there were speculations going on.

548. Did you not think that it was incumbent upon you at such a time as that to see what those who were borrowing large sums of money from you were doing?—No; I did not think that it was my particular duty.

549. Did you not think that it was a duty to inculcate that upon all the officers of the bank?—I do not think that I thought about it.

550. Do you not think that it was especially necessary at such a time as that, when, as I say, the whole place was teeming with speculation, to have had security?—It is very well to talk now of all that went on then, those men were considered at that time to be wealthy men.

551. I believe that men sometimes got wealthy in a day at that time; you knew that?—Perhaps you refer to myself.

552. And you knew perhaps that they would lose it in a day. You must have known that these men were all speculating?—All that I can say is that they were considered at that time as men of wealth, and good for the amount which was granted to them.

553. And you did not think it prudent even at that time to take any security?—We took none at all that I am aware of.

554. Do you not think that that was a time at which it was your duty as president to have seen to almost every sum which went out of the bank?—No; I do not.

555. On the 8th of November 1865, about a fortnight afterwards, do you not think that it was your duty to have seen to another loan of five lacs going out to the same people?—I do not know that I was aware of it.

556. Ought you not every day to have inquired into these large sums at such a time?—You forget that I had a heavy office of my own to work at the time.

557. That may be an observation which affects all Government directors, but still you took the office of chairman?—I did not take it; it was forced upon me, and I.declined it. I wrote to Mr. Prentiss, and asked him to have Mr. Stuart examined at the time, and Mr. Stuart and Mr. Ellis could both have told you that I objected; it was the fact that we objected in Madras; no Government director held the chairmanship there for many years. I held it, I believe, for a fortnight once, but it was my idea that the chairman ought always to be a commercial director and an independent man.

558. The next item is an advance to Ardaseer Cursetjee Dady, on the 8th of December 1864, of one lac and a half; do you recollect anything of that transaction?—I do not.

559. Were not you consulted?—I am not aware that I was.

560. This is an advance upon a single name of one lac and a half, who was this man to whom you lent that money?—I do not know.

561. On the 11th of October 1864 there was the name of Atmaram Madhowjee, a director of the financial corporation, who is down for five lacs and a half, the loss upon that is five lacs. Do you recollect anything about that transaction?—I do not.

562. You were not consulted at all about it?—I do not remember it.

563. It happens that at that time the bank had his name to bills and other documents to the amount of 20 lacs and upwards.—By himself, or with others?

564. With others; his name was out upon negotiable securities for 20 lacs and 70,000 rupees; how could that possibly have arisen in a well ordered bank?—I cannot answer that question.

565. But surely you as president were responsible for that?—I do not think that I was. I was not aware of it at the time.

566. You ought to have had some means of knowing of these large outgoings?—They were laid upon the board table.

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567. The "Daily Book" for the 12th October, the next day, would have shown you that the large sum of five and a half lacs had been paid out the day before upon a loan. Directly you saw that in the "Daily Book" why did not you enquire as to whom it was lent? If you had done that you would have asked "How much has that man outstanding against him?"—I might have done so.

568. It cannot reflect credit upon the administration of any bank.

On the 20th December 1864, there was an advance to Brown Heycock of 50,000 rupees?—I do not remember that.

569. On the 15th of July 1864, there was an advance to Brown and Macfarlane of Rs. 30,000, and on the 25th of February 1865, there was an advance to Brown and Best of 2 lacs and 50,000 Rs.?—I do not remember.

570. Do you know anything of those advances?—I do not; not to the best of my recollection.

571. Did you ever make any enquiry as to any of them?—I did not.

572. Did you know Mr. Brown?—I did not. I knew him by sight. I knew Mr. Best because he had been in the Oriental Bank.

573. You must have seen these large sums of money going out as fixed loans, cash credit, and so on. If you yourself were not consulted as to them, who do you think was consulted; who do you think was responsible for their going out?—I believe that Mr. Blair had authority to consult one of the directors, but who he was I do not know. Mr. Premchund's first election was on the 15th of July 1864. During the time that he sat, I was at Poonah. He resigned, I believe, in September 1864, and was re-elected at the end of December 1864, so that I only sat with him at the board for three months.

574. I was not asking you any question with regard to Mr. Premchund.—I do not know whom Mr. Blair consulted.

575. Did not you consider yourself under the necessity, when you found these large sums going out, of inquiring under whose authority they were going out?—I did not do it.

576. Then, although you were President, these sums were allowed to go without check or control?—No; I do not think that. They were all entered in the books, and were discussed. Mr. Blair enquired over and over again with regard to different loans, and some answer was given to him; but I cannot call them individually to recollection.

577. You knew nothing of this large sum of two and a half lacs lent to Messrs. Brown and Best?—I do not know anything of it.

At this stage of the examination the Commissioners adjourned the sitting till the next day at 11 o'clock.

Tuesday, 10th November 1868.

PRESENT:

President.

Sir CHARLES JACKSON.

Members.

Major MCLEOD INNES, R.E.
MAXWELL MELVILL, Esq.

Secretary.

F. D. CHAUNTRELL, Esq.

(*Mr. Newmarch.*) Mr. President, will you allow me to say a few words?

(*President.*) We are about to give our decision upon your application first, and we shall be happy to hear you afterwards.

This is an application by several of the shareholders of the Bank of Bombay soliciting to be allowed to appear before the Commissioners by counsel, and to be allowed to examine the witnesses to be produced before the Commissioners, and if so advised to produce evidence before the Commission.

On the appointment of the President of the Commission in May last, he caused circulars to be issued to the shareholders and the directors. The material part of the circular to the shareholders was as follows:—"As in the memorial from certain shareholders of the Bank of Bombay, forwarded by you to the Secretary of State for India in Council on the 2nd ultimo, serious charges of corruption were made against the Government directors of the bank, I am directed to request that you will inform the shareholders of the appointment of the Commission, in order that they may take such steps as they may consider necessary for substantiating the charges above referred to." The circular to the directors ran thus:—"I am also directed to forward to you the accompanying copy of a memorial addressed to the Secretary of State by certain shareholders of the Bank of Bombay, and to draw your attention to paragraphs 29 and 69, in which serious charges are preferred against the Government directors. As the inquiry will relate to transactions of the bank for the period during which you were a Government director, I am directed to make this communication to you in order that you may take any steps which you may consider necessary with a view to your being personally present, or being represented at that inquiry."

Shortly after the Commission was formed in India they received the report of a Committee of the English shareholders, from which it appeared that at a public meeting held on the 1st of May last, it was resolved unanimously —"That this meeting, whilst regretting that the Secretary of State for India in Council, after, in the first instance, repudiating all liability, has now given the shareholders so little time *to substantiate the statements made in their memorial, feels confident that it is unnecessary to take any further active steps to do so,* as the Blue Book published subsequently to the presentation of the memorial not only confirms the same in every particular, but proves beyond doubt that the failure of the bank was caused by the misconduct of the directors, and that the Government directors could have prevented the same had they honestly discharged the duties imposed upon them by the trust which the Bombay Government had undertaken."

On the 10th of June last the Commission was formally opened in Bombay, and on that occasion the President remarked as follows:—"Notwithstanding these notices, if the public prints are to be credited, the shareholders who presented this memorial do not intend to be present at this investigation, and I have not yet received any assurance of any assistance from the directors. Under these circumstances, it is obvious the inquiry differs considerably from a legal proceeding in which the plaintiff and defendant each prepares his own evidence, and lays it before the judge. In this case it is the duty of the

Commissioners themselves to search for the evidence, and to ascertain what witnesses are capable of giving evidence as to the several transactions," &c. &c.

Under these circumstances it is clear that the Commission not only wished but expected the several parties interested in this inquiry to be represented before them, and that, according to the resolution of the shareholders, their objection to that course was founded on the alleged shortness of the time allowed them for that purpose, and also on their entire satisfaction with the disclosures of the Blue Book, which in their opinion rendered such a step unnecessary. These objections have since been supplemented, in one of the applications which we have received, by the assertion that the shareholders had no means of ascertaining what latitude would be allowed them, or what means would be placed at their disposal. As to the first point, the Commission did not commence their examination of witnesses till a month after their arrival in Bombay, and the shareholders had as much, if not more, time than the Commission had to investigate the facts, for in addition to the time between the appointment of the Commission and the commencement of the inquiry, the shareholders had the benefit of all their previous investigations, and if they required more time, or if they did not know what latitude would be allowed them, or what means would be placed at their disposal, it is to be regretted that they did not apply for more time or inquire as to the latitude and means which would be allowed them. Their neglect to take this step is no reason why the Commission should now re-open a matter which has been finally settled by the action and proceedings of all parties to the inquiry.

But whatever the effect of the previous proceedings may have been, this application comes much too late, and the granting of it would operate most unjustly.

The whole evidence has been seen by the Commissioners alone, and can now be seen by no one else. Many of the books and papers put in evidence were, after careful examination and perusal by the Commissioners, returned to the Liquidators, Assignees, and others in whose custody they were, and others were left in India by the Commissioners, after carefully noting their contents. To bring home those books and papers would have been inconvenient and expensive, and a very harsh proceeding towards many of their owners in India; and the Commissioners, having received no notice of such an application as this, and not requiring them further for their own use, returned and left them, as before stated.

To allow this application would be most unjust to the directors and the Government, who are not represented before the Commissioners. It might also be objected to by the shareholders in India, who, judging from their conduct there, would probably dissent from the present application. The shareholders, the directors, and the Government, have hitherto been content to leave their respective cases to the fairness of the Commission, and have not sought to interfere in the management of the inquiry. A few of the shareholders, now that the inquiry is approaching completion, and when many of the chief points are established, seek to be allowed to cross-examine witnesses as to the failure of the bank generally, or as Messrs. Graham and Lyde put it in their letter of the 3d instant, "to interfere in the conduct of the inquiry so far as may appear necessary to get at the causes which the shareholders consider led to the failure of the bank," and thus re-open the whole case.

It is obvious that these inquiries would never end if such a course were allowed. If it were permitted, the large body of shareholders in India, and even some of the English shareholders, might wish to be separately represented, and might object to the course pursued by Messrs. Graham and Lyde. If it were allowed, the Commissioners would be obliged to stop further proceedings, and serve all the directors in England and India, as well as the Government, with notice, in order that they might be represented also, and the whole inquiry would practically begin *de novo*. The inquiry here is only a continuation of that which commenced in India, and must be conducted in the same manner.

For these reasons the Commissioners decline to allow the application.

(*Mr. Newmarch.*) Would you allow me, sir, to make a few remarks upon that?

(*President.*) No; I have given my judgment, and I cannot allow any remarks.

(*Mr. Newmarch.*) I wished to ask, in the first place, how far the Commissioners considered that the Blue Book was before them?

(*President.*) Of course it is before them. I cannot conceive how any doubt can arise on such a point.

(*Mr. Newmarch.*) Then, sir, with regard to the supposition that we wished to interfere with the Commission, I think that the Commissioners are under some little misapprehension. Our object was in no way to interfere with the Commission, but when the Commissioners had completed their examination, to take up the examination on any points which the shareholders thought had not been sufficiently pursued, and themselves to pursue them or to supplement them.

(*President.*) We need not enter into the question. I have read the very words of Messrs. Graham and Lydes' letter and your application, which would enable you to re-open the whole case. That is the case which we have decided.

(*Mr. Newmarch.*) My clients consider it to be of importance not to interfere in any way.

(*Mr. Le Messurier.*) On behalf of myself and other shareholders I may say that we defer to the decision of the Court.

(*President to Mr. Newmarch.*) If you have no furthur application to make I shall be happy to tell you what I will concede. At the conclusion of the examination of any witness if you think that there is any point or any question which you can suggest useful to the shareholders' case as against the Government, it being confined to that point, we will consider that question, and if we think that it can be usefully put we will put it for you.

(*Mr. Newmarch.*) Would the Commissioners allow me, before adopting that course, to see certain papers which they have before them.

(*President.*) We should very much object to let you see any papers except those which we read out.

(*Mr. Newmarch.*) The papers which I wish to see, sir, are those which I think the Commissioners would not object to my seeing, namely, the minutes of the directors. I am so very insufficiently instructed at present from not being able to see those documents that I am almost unable to suggest in the interest of my clients an examination which I think should be pursued.

(*President.*) I am sorry to say that we cannot part with those minutes, they are almost our *vade mecum*, we have to look at them every day ourselves.

(*Mr. Newmarch.*) I was going to confine my application to inspecting them on the days when the Commissioners do not sit.

(*President.*) I shall take most of them down to Brighton with me.

(*Mr. Newmarch.*) Would the Commissioners have any objection so far to modify what they concede to me as to do this, that I should suggest questions when the Commissioners have closed their examination, and that I should have an opportunity beforehand of seeing what the witness has said.

(*President.*) No, we cannot recall the witnesses, thus putting them and the parties to very great expense, you must be prepared to put the questions at the time.

(*Mr. Newmarch.*) Would the Commissioners let me have a copy of the Bombay print.

(*President.*) I have sent one to you; we have no other. The Council of India are as much entitled to it as the committee of English shareholders; we have given them one. We sent one to your solicitor, which we hope you have got.

(*Mr. Newmarch.*) We have one.

SYLVESTER DOUGLAS BIRCH further examined.

578. (*Witness.*) You were asking yesterday about the Asiatic Bank, how the new shares were issued, and whether I could have got the shares unless I held old shares.

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(*President.*) Yes; the evidence before us in India was that shares of the second issue were only allotted to the holders of the old shares.

(*Witness.*) By this document you will find that an immense number were allotted to the public at a certain premium in England, and in India also.

579. (*President.*) I suppose that the meaning of the evidence was that they could not have got them at par unless they had old shares. Before we go on with these loans, which we must take you through, I will ask you a few questions about the branches. With what object was the Kalbadevi branch opened?—For the purpose of opening current accounts in Kalbadevi I believe.

580. Was it not intended originally that discounts, cash credits, and loans should be granted at that office?—I think that they were to be referred to the head office.

581. Was that your understanding of the principle upon which that branch was originally opened?—Yes, I believe so.

582. How came that office to be established, was it established as a branch, or was it established as part of the head office?—It was established as a branch there, I believe.

583. Then if it was established as a branch, it could hardly have been within the terms of the 41st section of the Act, which is as follows:—"It shall be lawful for the directors of the said bank of Bombay, and they are hereby authorized and empowered, with the sanction of the Governor in Council of Bombay, to form such business relations with, and to establish branch banks or agencies at, such other places than Bombay as they may deem expedient for the interests of the said bank." There is, therefore, no power to establish any branch in Bombay; did that strike you at all when you opened that branch?—No.

584. Did you not take any legal opinion about it?—I am not aware that I did.

585. We had some information that there was a legal opinion taken, but we could not find it?—There may have been, but I do not remember it.

586. It was never suggested to you that the branch at Kalbadevi must be part of the head office, and managed by the secretary, and not considered a branch, so as to avoid the effect of that section?—I do not remember it.

587. You established it as a branch, and you got the sanction of the Government to establish it under the 41st section, and no other?—I do not remember whether the sanction of the Government was ever obtained.

588. It was obtained.—You are taking me back five years.

589. It is hardly so much, it is four years and a few months. Will you look at that section, and state how you felt yourself authorized to open a branch at Kalbadevi under it?—I do not remember.

590. Whom did you appoint as the Manager of the Kalbadevi Branch?—I believe Mr. Bullock.

591. By whom was he appointed?—I presumed by the Board.

592. But you were President at the time. Surely you had something to do with the appointments?—I imagine that it would be on the proceedings.

593. I have not seen it, but it may have escaped my attention?—He must have been appointed by the board.

594. Was he personally known to you when he was appointed?—No, I do not think that he was.

595. Do you know whether he was a man of any experience in banking?—I am not aware. I do not remember.

596. Was he a clerk in Smith and Elder's office?—I do not know whether he was an under clerk or their head clerk. I believe that he was in their office.

597. What were the instructions given to Mr. Bullock?—I do not remember.

598. Do you not remember what instructions were given on the opening of an important branch like that?—No, I do not.

599. Do you remember whether any instructions were given?—No, I do not.

600. Were instructions given him to put himself under Mr. Blair, and to consult him on all occasions?—I believe that it was the understanding that he was always to consult the head office; that is my impression.

601. Were you aware that he had given to him instructions also always to consult Premchund Roychund?—No, I was not.

602. What was your belief as to the management of that branch bank?—My belief was that all the applications for loans or discounts came to Mr. Blair, to the head office.

603. Was it your opinion that Mr. Bullock had no power to discount bills or advance money at all, unless he applied to Mr. Blair?—I do not remember.

604. You do not think that he had any independent power?—No.

605. Did you know that Premchund Roychund was always consulted by Mr. Bullock?—No, I did not.

606. Did you know of any relations subsisting between Mr. Bullock and Roychund Deepchund, Premchund's father?—No, I did not.

607. What instructions were given to agents generally? I do not confine it simply to the Kalbadevi branch, but what instructions were given to the agents generally?—I do not remember.

608. It is very painful for me to say so, but it is most extraordinary that the President of the Bank should not know about these things?—As I say, this happened so many years ago that I never thought that all these things would come up, and I have no recollection of them.

609. Do you recollect whether the agents received verbal or written instructions?—I do not.

610. This is a most important point. The losses at the Kalbadevi branch were 19 lakhs, and at Ahmedabad 6 lakhs, and so on; there were frightful losses at all these branches, all owing more or less to the imperfection of the system. We have the distinct evidence of Mr. Brown that the affairs of the branches were left to the President and the secretary?—I think not.

611. He excused himself from all knowledge of the management of the branches, upon the ground that the President and the secretary managed them between them?—I think not.

612. Then if you did not manage them, and the directors did not manage them, who did manage them? To whom were the branches left?—I cannot answer that question.

613. Were not you aware that there were some printed rules (A 69) sent to the agents of the different branches?—I forget it if there were.

614. The most important rule was never filled up, so that the rules did not put any limit whatever upon the agent's power of discounting. Rule 4. runs thus: "The agent is not permitted to discount any bill exceeding in amount rupees [ ], without first obtaining the sanction of the head office." Will you be surprised if I tell you that agents acting at the branches cashed and discounted bills as high as five lakhs?—I do not remember their doing so. I remember their purchasing hoondees.

615. But there was not any limit in fact to that power?—It does not appear by that, but there must have been.

616. We shall be very much obliged if you will show us where the limit was upon the agents. Was there any private discount list prepared at those branch agencies, and sent up to the head office for revision; there ought to have been?—I do not remember it.

617. I believe, however, that you had returns from these offices?—We had, I believe.

618. Weekly returns?—I do not remember whether they were weekly or not.

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619. There were some weekly returns, but they did not show the securities, and then you had monthly returns; do you remember the monthly returns?—I do not recollect what the returns were, but there were returns.

620. Used you to look over those returns, and to study them?—I may have looked over them, but I am not aware that I studied them.

621. Was not it the duty of somebody to see what business was being done at the branches?—Yes.

622. Whose duty was it?—I presume that it was the duty of the secretary.

623. By whom were the agents generally appointed?—By the board.

624. But by whose recommendation? How was it managed?—Most of the agents I think were sent out from England to the branches, and to some of the sub-branches, but some were not.

625. What was your system of supervision of the branches?—There was an inspector. I forget when he was appointed.

626. Mr. Fraser was the second inspector. Did you see that he visited these branches regularly?—I do not remember.

627. Is it not the fact that these branches were very rarely visited?—They were at a great distance from each other.

628. That is scarcely an answer to my question. Is it not a fact that they were very rarely visited?—If there was only one inspector they could not have been very often visited.

629. We have the evidence of Mr. Fraser that during the whole time that he was agent at Kurrachee his branch never was inspected; he was some time there, and he said that the inspector never came round when he was there; are you surprised at that? He also informed us that the branch at Hyderabad was never visited?—I forget when the branch at Hyderabad was opened.

630. Is it not a fact that these branches were never visited unless there was something wrong there?—I do not know.

631. I will read you a statement of the losses at these different branches: Kalbadevi, Rs. 19,01,160; Poona, Rs. 4,31,549; Ahmeedabad, Rs. 6,38,484; Surat, Rs. 5,94,699; Dharmar, Rs. 2,19,762; Kurrachee, Rs. 1,67,751. All these losses were between the 1st June 1864 and the time of liquidation?—In the financial statement in the Blue Book the losses seem to have been after 1865.

632. Can you account for that great loss occurring?—I remember hearing of one case where there was a loss upon some hoondees which had been purchased.

633. Can you account by anything in the system, or in the persons who carried on those branches, for such an extraordinary loss, every one of the branches ending in loss?—I imagine that every place ended in loss, men who were trusted there were worth nothing some time afterwards.

634. But why were they trusted when it was well known that all those people who were considered rich at that time were merely rich as speculators?—I beg your pardon. If you will take the returns of the money which came into Bombay during 1863–64 and 1864–65 you will find that it was enormous; it came in from England in return for cotton.

635. Did not a great deal of that money go up-country to the Ryots?—I believe that it did.

636. Has not the whole condition of the Ryot population in those districts been wonderfully improved in consequence?—I believe that it has.

637. I know that a great deal of money came into Bombay, but I ask you whether the whole of the mercantile population of Bombay at that time was not engaged in speculation in shares particularly?—I do not think particularly in shares. In 1863 and 1864 there were Mint certificates issued for 6,385,000*l.*, there were likewise bills drawn by the Home Government for 3,684,305*l.*, making 10,069,305*l.* altogether sent out to Bombay. In 1864–65 there were 7,419,555*l.* sent out.

638. I am quite aware that a great deal of money came into Bombay, but the question is, whether all Bombay was not speculating with that money when it did come? I will now refer you to some of the loans. We have finished with Brown and Best's loans. We will take next Burjorjee Rustomjee. On the 1st of February 1865 there was an advance made to him of five lacs, an advance on shares, were you aware of that fact?—I do not remember it.

639. There was an advance on shares made by the agent of the Kalbadevi branch when the Secretary at the head office himself had no power to advance on shares in consequence of the resolution of the 6th of August 1863. The money was openly advanced on shares.—I do not think that I ever heard of it.

640. You are not aware that such a practice openly prevailed at Kalbadevi, whilst it was done under a thin disguise at the head office only in a very few cases?—No, I am not.

641. You are not aware that previously, viz., on the 16th December 1864, which was in your time, the same person Burjorjee Rustomjee, had an advance of 2½ lacs?—I cannot call it to my recollection.

642. On the 3rd of February 1865 there was another advance of 30,000 rupees, so that in your time, in December 1864 and February 1865, there were 7,080,000 rupees advanced to Burjorjee Rustomjee; have you any knowledge of that transaction?—I have no recollection of it.

643. Did not you look over the weekly returns of the Kalbadevi branch?—I may have done so, and very probably I did.

644. Who was Burjorjee Rustomjee?—I do not know.

645. Do not you remember the old cabinet-maker Rustomjee, who used to sell black wood furniture?—I was a stranger in Bombay, and knew nobody.

646. He was a man who made furniture in Meadow Street, and his son seems to have got these enormous advances; how can you account for a man in his position obtaining 7,080,000 rupees from the bank; the sureties were men of straw?—Other people I dare say would be better able to speak of what his wealth was than I am.

647. Are you able to give us any explanation?—I have no recollection of it.

648. Are you able to give us any explanation of the system which was prevailing at Kalbadevi?—Not further than I have stated.

649. Did you ever visit the Kalbadevi branch?—I did not.

650. Did you ever go over their accounts, or examine their securities?—I did not.

651. You left it all to the Secretary?—I did.

652. The next case is that of Byramjee Hormusjee Cama. A cash credit was opened before 1864 of 51,000 rupees; that was operated upon till the 19th of May 1866, when it stood at 47,774 rupees. Another cash credit was opened for three lacs on the 30th of January 1864, and it was operated on till May 1866, when he was debtor to the bank on that credit 6,05,000 rupees; he had overdrawn that cash credit by 3,05,000 rupees; another cash credit was opened in 1864 for one lac, which was operated on from then till May 1866, and he was then a debtor on that account for 98,260 rupees. Do you recollect anything of those cash credits being opened?—I do not. I remember his name being brought up before the board by Mr. Blair, and his asking if he might discount his bills; but to what extent I do not know.

653. You do not recollect those cash credits. I will ask you about the fixed loans granted to him. On the 16th October 1864 he had a fixed loan for seven lacs, do you recollect that transaction?—I cannot call it to my recollection. I recollect that during the time when Mr. Cowasjee Jehangeer sat at the board Byramjee Horumsjee Cama's name was brought up, and was discussed, and it was Mr. Cowasjee Jehangeer's opinion that he was a wealthy man, and what the amount fixed was I do not remember, but it was large.

654. Cowasjee Jehangeer left the board in June 1864?—I thought that it was in July.

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655. Therefore, he must have been talking about the cash credits. The first fixed loan was after he left the board?—I do not remember. You are taking me through a whole series of loans going over from six to eight months, and it is impossible that I or any other banker can remember them.

656. He had three cash credits open (I admit that he was a man of large business) on the 16th of October 1864, when you gave him a fixed loan for seven lacs. I think that you ought to have had some recollection of so large a transaction?—Perhaps a man who was not perpetually dealing in such large sums on account of the Government, as I was, might remember these large transactions; but take the other cases which came before me, 50, 60, and 80 lacs, and all such cases.

657. Then I am to understand that you do not recollect that large transaction?—I cannot call it to my recollection.

658. Do you recollect on the 9th February 1865 advancing still more, another fixed loan to him for 94,800 rupees?—I do not remember it. I have told you that I remember Byramjee's name being brought up.

659. Was there any security for any of these cash credits, or those first two loans?—I do not remember.

660. I will tell you that there was no security for them. Do you think that that was a proper way of doing business?—Was it only his own name.

661. The bank had only his own name?—You have said that he was a man of great wealth.

662. He was a man of great business, and I admit that he was a man of great credit, but do you think that it was a prudent banking operation to allow these large accounts to be outstanding to one person?—I do not remember that I was aware that he had all these large sums.

663. But was not it your duty, and the duty of every director, to know that so large an amount was outstanding to one individual?—(*No answer.*)

664. Byramjee Hormusjee Cama told us that he was allowed to overdraw his cash credit of three lacs to 6,05,000 rupees, through Premchund Roychund's influence; and he has admitted that he obtained the loan of seven lacs through Premchund Roychund; were you aware of any such influence being exercised over the officials of the Bank?—I was not. I was aware that Mr. Blair consulted Premchund Roychund when he was a director, and he had been consulted before, and had been asked what the position of people was.

665. I believe that you were rather an advocate, were you not, for lending upon mere personal security?—I believe so.

666. Then you were really the person who was responsible, if anybody was, for the introduction of that system?—I am not aware that I was the person responsible at the time.

667. I find this written by Mr. Hannay, your successor, in a discussion which arose upon that question, and upon which we shall have to examine Mr. Lushington; Mr. Hannay writes this (vide scroll minute marked A. 70.): "I agree with our late President Mr. Birch that good personal security is far better than any other;" was that your opinion?—What do you mean by "any other?" Not Government securities. I am not singular in my opinion, am I?

668. I ask you whether that was your opinion?—Yes.

669. That good personal security is better than any other?—I do not say "better than any other."

670. The words are "far better than any other?"—It cannot possibly be better than Government promissory notes.

671. Is it not clear from this that the impression left upon the minds of your colleagues, and of those who succeeded you, was that you were a very great advocate for advancing money upon personal security?—It may have been.

672. Was it not the fact that you were?—It was.

673. Do you really think that it was prudent banking to advance any large amount to people at that time, particularly in Bombay, upon personal security?—I do not see any objection to it.

674. You remain of that opinion after all the results?—Perhaps if it went on over again I might not do it, with all the experience which I have had since; but I think that you have it in evidence from Mr. Lidderdale that when Mr. Rootonjee's name was brought up he said "I myself would have given him five lacs."

675. Eventually the bank lent him eleven lacs?—The bank might have advanced almost any sum with the name which that family had.

676. The next case is that of Shapoorjee Dhunjeebhoy. He received a discount at the head office on the 20th of April 1864 of one lac, it was one of the earliest losses. On the 14th December 1864 he received three lacs. The loss upon those four lacs has been rupees 3,20,000. There was no security taken for either of those loans. Byramjee Manockjee gave his name with Shapoorjee for the second loan. Who were those persons?—I do not remember; most likely I heard their names at the time.

677. Who was Shapoorjee Dhunjeebhoy; do you not remember that he was the son in law of the late Sir Jamsetjee Jejeebhoy?—I do not remember the Parsee names.

678. In granting loans, the Secretary should be guided, I suppose, by the "Opinion Book"?—He used to be, but that "Opinion Book" I do not think was written up for a long time.

679. It was written up in 1864; there were a great number of entries in 1864?—I do not remember when the last revision of the list was.

680. This man got a loan for a lac, and these are the opinions given about him: "Son in law of Sir Jamsetjee Jejeebhoy, quite safe for 75,000 rupees Cowasjee considers." Then there is this entry also: "Rustonjee" (the man's own relative) "thinks 50,000 rupees about enough"?—Yes.

681. Those being the statements in the book, how can you account for advances being made to those men to the extent of four lacs?—What is the date of that.

682. The first opinion is dated 28th September 1863, and the last was given on the 27th April 1864, just when you lent a lac. How was it that he got such large advances when the "Opinion Book" shows that the bank was advised only to lend him Rs. 75,000 and his own relative said that he was not to be trusted with more than 50,000 rupees?—I do not remember the transaction.

683. We will go on to the next case, which is that of Cursetjee Furdonjee. On the 28th of December 1864 he received a fixed loan of 6,25,000 rupees, and he gave no security whatever but the usual promissory note?—By himself?

684. By himself alone.—I do not remember.

685. You do not recollect that transaction?—I do not.

686. You do not recollect that on the previous 15th of August he had received another fixed loan for 3 lacs?—I was at Poonah then.

687. It was renewed on 16th January 1865, and you were at Bombay then?—Yes.

688. Were you also there when he had granted to him a cash credit on the 16th November 1864 for two lacs?—I was there on the 16th November 1864.

689. Were you aware of that cash credit?—I do not remember.

690. Here are 12,33,000 rupees given away on a promissory note to one individual, and you say that you do not know it?—I do not say that I do not know it; I say that I do not remember it.

691. Yesterday you said that you did not remember any of these large loans being granted on personal security?—I did not remember them, and I do not remember them.

692. Then am I to understand that your mind is a blank sheet of paper as to all these transactions?—Certainly not.

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693. What do you mean?—I cannot call these individual loans to my recollection.

694. You must have seen the evidence taken in India, and you must have had many opportunities of preparing yourself for this examination?—What was I to refer to?

695. As I understood you yesterday, you said that the Secretary had very little power, that he had power only to grant loans to a small amount, and that you knew nothing of these large loans?—I said, I think, that I did not remember any of them.

696. Then who does remember anything of them?—I cannot tell you.

697. Who did know anything about these large loans?—I may have known of some of them, but I cannot call them to my recollection.

698. Did not you think that it was the duty of the President to ascertain as to the credit of the parties, and as to what discounts and cash credits and fixed loans were given them?—I dare say that I knew them at the time, but I do not remember. I have no doubt that I did.

699. Were you aware that Premchund managed any of these large loans for the bank?—How do you mean "managed" them?

700. Arranged them when he was a director?—He may have done so.

701. That is Mr. Blair's handwriting, is it not (*handing Exhibit* A 37. *to the witness*)?—Yes.

702. He says "My dear Premchund,—Cursetjee Furdonjee got the six lacs you spoke about before the holidays. Kindly tell me what the rate was that you fixed. The shares will also require to be deposited for safety. Truly yours, James Blair." This is the Secretary writing to Premchund. That is one of those cases in which that disguise was adopted. This is Premchund's answer: "My dear Mr. Blair. 1st July 1865, at 15 per cent. You shall have the shares to-day." That is one of those fixed loans for a very long date; do you know anything of that transaction?—I do not remember it.

703. Those transactions were on the 15th of August, the 16th of November, and the 28th of December 1864. If those applications did come to you, were not you in the habit of inquiring whether there was anything outstanding against the party?—How do you mean?

704. Any previous discount or outstanding?—If it came to me there ought to have been a memorandum with it, to say what was outstanding.

705. If the last application had come to you it would have come with the intimation that the sum of 12,33,000 rupees altogether was going out, including the application then made?—I do not think that any of them, or many of them, did come to me; some of them, may have been brought before me, but I do not remember it.

706. If it had been brought before you surely you would have recollected so very large a transaction as lending 12 lacs and upwards to one person upon his promissory note?—I do not remember.

707. The next case is that of Kursondass Madhowdass. Here is a transaction which you must recollect. We were told by one of the witnesses that you would be able to tell us all about it. It is a loan of 25 lacs altogether. On the 31st August 1864 the firm of Kursondass Madhowdass borrowed in three different names, viz., the names of the different partners of that firm, Mayabhoy Premabhoy, eight lacs; Muggonbhoy Huttising, eight lacs; and Kursondass Madhowdass, four lacs. On the 26th September 1864, Kursondass Madhowdass took five lacs more, that makes 25 lacs altogether, and they got that without the least security, upon nothing but a promissory note; do you recollect that transaction?—At the first I was not in Bombay, I was in Poonah.

708. On the 26th September there were five lacs?—On the 26th September I must have been in Bombay.

709. Was that transaction brought to your notice?—I do not recollect it.

710. Did you never hear of these 25 lacs being advanced to one firm without any security?—I do not call it to my recollection.

711. Did you ever ascertain that that large sum was outstanding?—I do not remember it.

712. In the "Opinion Book" in March 1864, just preceding this transaction of August 1864, I find the following entry against the name of Kursondass Madhowdass: "Considered by Premchund good for one lac." And on August the 24th 1864 the entry is, "Kursondass Madhowass and Co., Premchund states, is good for four or five lacs." In fact, this was really an advance to Kursondass Madhowdass and Company of 21 lacs, and yet you see that in August, at the very same time that that firm had advanced to it 21 lacs, it was entered in the "Opinion Book" as good for four or five lacs. Can you account for that?—I do not remember it. Premabhoy was considered a man of enormous wealth.

713. It was his son who was in that firm. You are not able to explain that enormous transaction?—I am not.

714. It is to be regretted that we have not been able to examine Mr. Blair. We shall make an attempt to go through every one of these transactions. It will be a perfect failure of justice if we do not get his evidence. You know nothing of the subsequent proceedings with regard to these loans?—I do not.

715. The next case is that of the Eastern Financial Association. Do you recollect anything of the Eastern Financial Association?—On the 18th October 1864 a loan was arranged with Mr. Blair of 10 lacs, for which Mr. Ryan, the secretary of that association, gave a promissory note?—I do not recollect it.

716. If you had looked at the "Daily Book" the next day you would have seen, under the head of Bombay Bills, that upwards of 10 lacs had gone out. You did not see that?—I did not.

717. You never saw anything which led you to make any inquiry?—I do not recollect it.

718. You do not recollect any inquiry being made afterwards about this transaction?—I do not remember.

719. There were 16 lacs and odd advanced to that association, but the other advances were all after your time?—Was that the association which purchased the powder mills?

720. No, it was not that, I think. I am asking you about these 10 lacs?—I do not remember it.

721. That is very extraordinary. Here is a violation of the principle which you yourself had approved, namely, that when you were dealing with one of these ephemeral companies you took the security in the names of the directors of the company?—Yes.

722. In this case that principle was abandoned?—I do not remember.

723. They took the name of the new secretary, a man who is now in the hospital in Bombay. Can you account for this?—No, I cannot.

724. You know nothing of the transaction?—I do not remember it.

725. The next case is that of Gopalrow Bulwunt. He obtained an advance at the head office of 50,000 rupees on the 21st of January 1865, and at the Kalbadevi branch on the 1st of February 60,000 rupees more, and it almost resulted in total loss; there was no security for either of those transactions; are you aware of anything about them?—No, I do not remember them; I myself knew none of these people.

726. You knew none of the natives. After your long residence in Bombay you had not acquainted yourself at all with the credit of the different native merchants?—No; excepting so far as I saw the "Opinion Book." Their names are rather confusing to a person who has not been long there. Cowasjee Jehangeer has a nickname; there is another Cowasjee Jehangeer who has a nickname. One day at the board the name of Cowasjee Jehangeer came up, and Cowasjee himself said, "I wish you would put the nickname to it.

727. The next case is that of the Imperial Banking and Trading Company. On the 8th of December 1864 they obtained an advance of five lacs?—I do not remember it; in whose name was it?

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728. It was taken in the names of the chairman and directors, Memanjee Framjee Panday and others. Do you know anything of that transaction?—I do not remember it.

729. Were not many of these companies composed of a very disreputable lot of shareholders?—Of what?

730. Persons of no position?—I am not aware of it.

731. Were not many of the shares held by police Sepoys?—I did not know it.

732. Do you know anything particularly of this company?—I do not.

733. You heard nothing whatever of this loan at the time?—I do not remember.

734. Can you in fact remember one single transaction?—I can hardly call to my recollection any single transaction. I have told you of two which I recollect, namely, Byramjee Hormusjee Cama's and the Alliance Financial Corporation.

735. The next case is that of Sir Jamsetjee Jejeebhoy. On the 10th and 11th February 1865 he got a cash credit from the bank of 2,31,282 rupees; there has been a loss of 59,376 rupees upon that; do you recollect that transaction?—I do not.

736. Did not he come to you himself about it?—I do not remember it; I do not think that he would have done so.

737. Would he go to Mr. Blair?—I presume that he would.

738. After going through all these loans, have you any doubt that Mr. Blair managed the bank entirely?—I think that they must have been brought to the notice of some of the directors.

739. If Mr. Blair had not the management of the bank, and if you had not the management of the bank, who had?—I cannot tell you.

740. During the year 1864 and the beginning of 1865 my recollection is that there is only one single discount minute referred to before the board; can you account for that?—What do you mean by a "discount minute."

741. A question of credit, whether an advance should be made to a particular individual. Formerly, in looking through the minutes you see constantly the application of so and so for two lacs, and so on, put down in the agenda and the minutes, and then again after the panic of 1865 that reappeared in the minutes, but from September 1863 to May 1865 all advances are omitted from the minutes, except one, I think; can you account for that?—No, I cannot.

742. But surely as President (and you seem to admit that you took under your charge the conduct of the proceedings at the board) you ought to have remarked upon the fact that all the discounts and advances seem to have been omitted from the consideration of the board?—(No answer.)

743. The next case is that of Manockjee Limjee and Co., cash credit 31st January 1865, five lacs?—I knew Manockjee Limjee.

744. It is the firm?—I remember both Cowasjee Limjee and Manockjee Limjee; Manockjee Limjee was a member of the board.

745. You do not remember that transaction?—You seem to think that any director of the board would have a recollection of all those transactions after such a lapse of time.

746. I must say that you seem to recollect less than any director whom we have examined yet?—Very good.

747. The next case is that of Merwanjee Nusserwanjee Bhownuggur; a discount was granted to him on the 22d of June 1864 with Mr. Macfarlane of 15,000 rupees, and on the 21st of January 1865 there was another loan to him, 1½ lacs; do you recollect either of those transactions?—I do not call them to my recollection. You remarked just now that I seemed to be a director who remembered least of all these things; you forget that all the others whom you have examined were there the whole time, and were perfectly familiar with all the people in Bombay; I was not, and knew

nothing. I hardly knew their names; at least, I knew their names, but I did not know who they were.

748. I consider that statement very important, because it just shows the value of Government directors?—Excuse me, I do not think that it does. I was a director of the Bank of Madras for very many years.

749. With respect to this man, I will ask you whether this letter was brought under your attention before this loan was made; it may perhaps revive your recollection of the transaction; it was admitted by Premchund to be in his handwriting: "Merwanjee is worth 15 lakhs, but he is a great speculator, and may lose the whole in three days; still, give him one lakh and risk it. Yours truly, P.R." ?—If I saw it, my initials would most probably be to it.

750. Your initials are certainly not to it. You are not aware of that transaction?—I do not remember it.

751. The next case is that of Pestonjee Cursetjee Shroff. He had a cash credit on the 2d of July 1864 for 60,000 rupees. You were not in Bombay then?—I was not.

752. On the 18th of October 1864 he had a cash credit for 40,000 rupees; you were there then?—Yes.

753. He had a fixed loan on the 19th December 1864 of 97,000 rupees, and afterwards he had further loans after your time. Do you recollect anything of those two transactions?—I cannot recal them to my recollection. I remember the man's name.

754. Do you know anything about him?—No.

755. You do not know that he was a great speculator?—I do not.

756. I will only ask you about one more case, Rustomjee Jamsetjee Jejeebhoy and Sorabjee his brother. You were, I suppose, in constant intercourse with Rustomjee. Was not he at the board?—No; he did not attend very often.

757. Did not you see him very often?—I think that I called upon him once at his house, and that was the only time that I was in his house; he called upon me, and I returned his call.

758. Do you recollect a cash credit on the 14th of July 1864 of five lacs to his brother Sorabjee which he afterwards took upon himself?—No.

759. Do you recollect an advance to Rustomjee himself on the 12th July 1864 of two lacs and upwards?—I was not in Bombay then. I was at Poona at the time.

760. We have gone through those loans, and it appears that you are really unable to give us any information as to these very large transactions of the bank. Is there anything which you can tell us about the bank during that period?—In what way do you mean?

761. First, as to its management?—No; I do not remember anything particularly which I can tell you.

762. You have told us what you did not do; will you now kindly tell us what you did do, as president of this bank?—Do you mean altogether?

763. Yes; what were your duties, and what did you do?—I cannot detail them.

764. We should like to know, because we have read to you Mr. Hannay's opinion, that you were one of the first financiers in India, and the board, in commemoration of your services in the bank, resolved that they would put up your picture. We want to know what you did?—I presume that the directors rather referred to the whole of my service; you are taking the last six months.

765. I, of course, am taking what is material to this inquiry. I must do so?—You ignore all the rest.

766. I do not ignore it, but I have nothing to do with it. I ask you what you did from the 1st of June 1864 till the 1st of February 1865, which happens to be the time when the great mischief occurred?—I was not in Bombay till October, and I returned from Poona so ill that I had little

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strength or inclination for any thing except my own work. I do not think that I did very much at the board after that.

767. Is there anything which you desire to say besides in exculpation of yourself, (because we wish you to have that opportunity), in these transactions which we have gone through?—No; not that I am aware of.

(*President.*) Then I think that we cannot usefully detain you longer.

768. (*Mr. Melvill.*) Were you, as president of the bank, in communication at all with Government regarding the management of it?—No.

769. Did you take the opinion of the Government as to the propriety of increasing the capital?—I believe that the matter was referred to me.

770. As Accountant General?—As Accountant General.

771. Did you hold any proxy from Government to vote at the meetings?—Never.

772. Were you a shareholder in the bank yourself?—No; the directors were not allowed to be shareholders.

773. Then if you were neither a proprietor yourself, nor authorized to attend for the Government, in what capacity did you attend and take the chair at the meetings?—As the president of the board. I think that you will find that it is not very often that I attended. I have before stated that the Government directors in Madras never held the appointment, and that I would not have done so in Bombay if I could possibly have helped it.

774. The Act provides for the Government attending at any meeting, and it says, that it shall be lawful to appoint any person as a proxy to attend any general meeting of the proprietors?—Yes.

775. If you were not a proprietor and did not hold any proxy for the purpose I do not understand how you had any business to be there taking the chair and advising an increase of capital?—I did not advise an increase of capital. I merely stated what the meeting arose out of. The meeting was called by the proprietors, and in the speech which I made there I merely remarked why it had been called, and gave an explanation of the reasons why the shareholders had called a meeting themselves, and why it had not been called in the usual way by the directors.

776. Still it does not appear why you and the other directors were present at the meeting of proprietors?—We had no vote.

777. Then the Goverment did not vote on that question at all?—I do not remember a proxy being ever given by the Government.

778. (*President to Mr. Newmarch.*) Do you wish to ask the witness any questions?

(*Mr. Newmarch.*) I think not, Sir.

FORREST LOUDON BROWN, sworn and examined.

Mr. Brown.

779. (*President.*) We examine you out of your turn in consequence of a letter which you have written to us stating that you are immediately expected to be in Bombay?—That is quite true.

780. We should not otherwise have examined you at this stage of the inquiry. I believe that you had three advances from the Bank of Bombay; there are three bills to which your name at all events is attached?—Yes.

781. First of all there was a transaction with Mr. Macfarlane, a bill discounted on the 15th July 1864 for 30,000 rupees?—Yes.

782. Then there was a second one, on the 20th December 1864, with Mr. Heycock and Venayek Pandoorung for 50,000 rupees?—Yes.

783. Then on the 25th February 1865 there was one with Mr. Best, 2½ lacs?—Yes.

784. We will take the first, namely, of the 15th July 1864, a bill discounted, Mr. Macfarlane being jointly bound with you?—Yes, that is right.

785. With whom did you negotiate that loan?—I think through Mr. Blair. I think that I applied to Mr. Blair direct; by letter I should think.

786. Did Mr. Blair ask you for any security?—I am not aware. I rather think not.

787. Did you give any security?—No, I rather think not.

788. Did Mr. Blair ask you what you wanted the money for?—I cannot call to mind at this time, but I should think not.

789. Mr. Macfarlane, who was jointly bound with you, was a solicitor of the Supreme Court, was he not?—He was.

790. You divided the money between you, I suppose?—I think so, and we bought Bank of Bombay shares with it.

791. You borrowed it to buy shares?—I believe so. I am speaking from memory.

792. As a speculation?—As a speculation.

793. Did Mr. Blair know that you were going to enter into that speculation?—I cannot answer that question; I am not sure; I think that it is very possible that I mentioned it to him.

794. Were you in the habit of mentioning to Mr. Blair what you were going to do with the money which you borrowed for your speculations?—On the whole of these three loans I think that I explained entirely and exactly what I wanted the money for.

795. Then Mr. Macfarlane was not in the nature of a surety, but you were both borrowers?—We were both borrowers.

796. That note was renewed I suppose?—I think that it was renewed for a smaller amount.

797. How often was it renewed?—I do not remember.

798. Do you remember on what renewal it was that you paid something in reduction of that debt?—I cannot remember the amount, but if you will give me my books I may possibly tell you.

799. Here are all your books. You paid 5,000 rupees, did you not?—It is not down here (*referring to his book*).

800. Do you know on what renewal it was, whether on the first, second, or third renewal of that note, that you paid 5,000 rupees?—I cannot remember the date.

801. How came you to pay that 5,000 rupees?—I should think that Mr. Blair must have asked for something to be paid on account, and that we paid 5,000 rupees.

802. Do not you recollect?—I do not, or I would tell you.

803. How often was this bill renewed?—I think once or twice.

804. Was not 10,000 rupees paid upon that bill instead of 5,000?—I will tell you in two minutes (*referring again to his book*). I think that it is here, "On the 26th of January 1865 renewed a bill for 30,000 rupees with the Bank of Bombay."

805. You renewed the bill for 30,000 rupees, therefore on the first renewal you did not pay anything. Look at the second renewal.—That is all that I have entered here. The bill must have been renewed twice, I think.

806. Eventually how much did you pay on that bill?—I am not aware that anything more was paid.

807. You paid 10,000 rupees?—It is not here.

808. The bill was for 30,000 rupees?—Yes.

809. Did you not pay 10,000 rupees on it, or was it Mr. Macfarlane who paid?—There are 10,000 rupees entered as paid here.

810. There was a loss of 20,000 rupees upon that bill; were you ever pressed to pay it?—I must have been asked to pay it. I must have been pressed in a very mild form, I should think.

811. What do you mean by "pressed in a very mild form"?—I mean that they did not threaten legal proceedings against me.

812. Who pressed you in a mild form?—I think that I must have got notice from the bank.

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813. What sort of a notice?—Notice that the bill was overdue.

814. And they did not press you severely?—I am not aware that they did.

815. They did not ask you to pay?—I cannot call to mind their pressing me to pay.

816. May I ask what was your position in Bombay at that time?—I think a very good position indeed. I was doing a very large business, as this book will show you. My receipts per month were very large indeed, irrespective of all of the amounts which I got on speculation, and irrespective of all the donations, as you call them, of shares which I got.

817. You were carrying on a good business as a broker in addition to that of a speculator in shares and a receiver of allotments, was that it?—I got allotments given to me.

818. How long had you been a broker?—About three and a half years.

819. What were you before that?—I was an assistant in Smith, Elder, and Company's.

820. They were booksellers in Bombay, were they not?—They were foreign agents, they were not specially booksellers.

821. Did you start in partnership with Mr. Best?—No, I started alone.

822. We will take the next bill of the 20th December 1864 with Heycock and Venayek Pandoorung. Who was Mr. Heycock?—He was a son of Mr. Heycock, the manager of the Central Bank.

823. What was Mr. Heycock himself?—A merchant.

824. Was he carrying on any business?—Yes, shipping business. My business with him chiefly arose from selling his bills.

825. Who was Venayek Pandoorung?—His broker.

826. Was any security given for that loan?—I am not aware. I had no interest whatever in it. I simply signed at their request as security or surety.

827. Did Venayek Pandoorung know that you were merely a surety?—Yes; and I observe that he made a statement in Bombay, which is totally false.

828. What is his statement which is false?—On one of the days he said that he had no interest in the loan.

829. He corrected that afterwards?—Yes, to the extent of 1,000 rupees.

830. No, one third; he came forward very straightforwardly afterwards, and said so.—It was put in the newspapers 1,000 rupees.

831. He was interested in one third, and who was interested in the other two thirds?—Not myself; I was interested in no part of it whatever.

832. Then am I to understand that you were admitted by Mr. Blair as surety?—Yes.

833. How did that arise?—I think that in the first instance Messrs. Heycock and Venayek Pandoorung asked me to apply to the Bank of Bombay for a loan on their account, which I did, and the loan was granted on the condition that I would endorse it, and, after considerable hesitation and some letters passing between us, I did so.

834. What has become of Mr. Heycock?—I do not know. He left Bombay without advising any one.

835. Do you know what that money was borrowed for?—I have not the least idea. I should myself think for speculation.

836. But surely, as you were the broker and were employed in that matter by Mr. Heycock, you ought to know what the transaction was?—Will you give me the date of it?

837. The date is the 20th of December 1864; it has been put down in the Blue Book as of that date, but originally the bill appears to have been given on the 12th July 1864?—I have no note of it.

838. Did you really gratuitously become surety and have no benefit from the transaction in any way?—I had no benefit whatever.

839. Not even buying the shares as broker?—That is possible. I may have bought the shares for them, if they did buy shares.

840. You are not able to tell us anything further about that transaction?—Not further than that I had no interest whatever in it.

841. On the 25th of February 1865, you and Mr. Best obtained an advance of $2\frac{1}{2}$ lacs?—Yes.

842. With whom did you negotiate that loan?—I believe with Mr. Blair.

843. Are you quite sure of that?—I am not quite sure of it. I believe so.

844. If you did not negotiate it with Mr. Blair, with whom did you negotiate it?—With whoever was in his office. Mr. Robertson.

845. I think that this letter of the 24th February 1865 will revive your recollection as to whom you negotiated with (*handing the letter to the witness*)?—Yes, it was Mr. Robertson. I spoke from memory.

846. The letter is as follows: "My dear Robertson. Best and myself wish to pass a promissory note for $2\frac{1}{2}$ lacs for 14 days, or less time, will you kindly see if the loan can be allowed? Premchund knows the security against which this money is wanted, and told me to ask you to refer to him if need be. Yours sincerely, F. L. Brown." Why did you not negotiate that transaction with Mr. Blair?—I should think that he was not at the bank at the time.

847. Was any security given for this large advance?—The security was to be given in the shape of Port Canning Company's shares.

848. There was no security given at first?—I rather think that security was given at first.

849. There was none.—Then it must have been given after a very few days.

850. That was when the note was renewed 14 days afterwards, but I am talking of the original loan; was any security given for the original loan?—I cannot speak from memory. I say that the shares were to be given to the bank, and upon that understanding alone was the loan to be granted.

851. You negotiated with Mr. Robertson that if he would lend you that two and a half lacs to buy these shares, you would deposit those shares when bought?—A greater number; we had already bought many.

852. You bought fifty Port Canning shares altogether?—Yes.

853. The transaction was a transaction between you, Mr. Tracey, and Mr. Best?—I do not believe that Mr. Tracey had the slightest interest in it.

854. Are you prepared to swear that?—I am prepared to explain every particular of this transaction as far as you like to know.

855. Are you prepared to swear that Mr. Tracey had nothing to do with this transaction?—I will not swear that he had nothing to do with it.

856. What had he to do with it?—He had no interest in the transaction. I will swear that, to my knowledge, I do not know that Mr. Tracey was to receive any profit or pay any loss upon the transaction.

857. That is not the question which I asked you. I ask you whether he had an interest in that transaction or not?—I believe that he had an interest at the beginning of it, but I paid him his money back.

858. In whose handwriting is that pencil memorandum in that book (marked F 1., page 53)?—My own.

859. What does "Tracey" mean there?—It means Tracey, one and a half lac.

860. That was Mr. Tracey, a director of the Bank of Bombay?—Yes.

861. "Best, one lac." That is your partner?—Yes.

862. "B. B., two and a half lacs."?—Yes; that is the Bank of Bombay.

863. The whole makes up five lacs?—Yes.

864. Was not that five lacs to be invested in a speculation in Port Canning shares?—Yes.

865. And were not the parties to that speculation to be Tracey, Best, and you, and you and Best were the borrowers of that two and a half lacs?—No; that is simply a memorandum; it is a pencil memorandum.

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866. But why was it there for any other purpose than as defining the parties?—I beg your pardon; it may be that I should define the money in that particular way.

867. Why did you put down Mr. Tracey's name in conjunction with this loan, except as showing that he was to be interested in some transaction of yours to the extent of one and a half lacs?—Not at all; he lent me one and a half lacs to buy those shares with.

868. Are you prepared to contradict Mr. Best's statement, your own partner's statement, about it?—Most undoubtedly, if it is contrary. I am stating what is correct.

869. I will read to you what Mr. Best says:—"The transaction for which the rupees, 2,50,000, were obtained from the Bank of Bombay was a joint transaction, in Port Canning Company's shares, between Mr. Tracey, Mr. Brown, and myself. The transaction is entered in page 53 of this book (marked F 1)." He there puts it in that way. We found it out; he did not volunteer it. He says,—"The transaction is entered in this book. Mr. Tracey had no connexion with the loan," that is of the two and a half lacs; he said first of all that he had. "You will see that the sum of rupees, 1,50,000, was found by Mr. Tracey." That is just the contrary of what you say now?—Not at all; I said that Mr. Tracey found one and a half lacs of rupees and gave them to me.

870. He lent them to you?—Yes.

871. But not for the transaction?—He perfectly understood what transaction I was going into.

The President reads from the Minutes of the evidence taken before the Commission in India as follows:—"(*Mr. Best.*) I found the other one lac, and the loan supplied the rest. Mr. Tracey knew that the loan had been obtained. The transaction was on the 25th of February 1865; I do not know that Mr. Tracey was a director of the Bank of Bombay at that time.—(*President.*) He was elected on 26th January 1865. To your knowledge did Mr. Tracey recommend you to the Bank of Bombay?—(*Mr. Best.*) Not to my certain knowledge. I think that it is very likely that he did. I have no doubt that he did."

872. (*President.*) That was the evidence of your own partner, Mr. Best, when that statement was put before him?—Yes.

873. You have had an opportunity of thinking over this matter; have you talked to Mr. Tracey about it since the evidence was delivered?—I have not seen Mr. Tracey.

874. How came Mr. Tracey to lend you 1,50,000 rupees?—He did so more on account of Mr. Best, I should think; he was a more intimate friend to Mr. Tracey than I was; but Mr. Tracey was very anxious that Port Cannings should be maintained; he knew very well that I was a very large holder of Port Cannings on my own account, and, when I was interested in this speculation, I told him that most of my funds were locked up in Port Cannings.

875. If he was a very great friend of Mr. Best why did not he lend him the money instead of you?—Because the transaction was a joint one.

876. Why did he not get a security from Mr. Best as well as from you?—I do not think that Mr. Best was so well off as I was at the time.

877. I suppose that you gave a promissory note to Mr. Tracey for his loan of 1,50,000 rupees?—I repaid it to him partly in money and partly in Port Canning shares.

878. Can you name the security which you gave him for that loan?—What security?

879. He lent you 1,50,000 rupees?—Yes.

880. What security did you give him for that loan?—I think only a simple letter stating that I had received that money.

881. You did not give him a promissory note for it?—I think not. I am not sure that I did not. I am speaking from memory. I think that it was only a letter. You have referred to Mr. Best's evidence as being contrary to mine, but you have also an affidavit from Mr. Best denying what he said.

882. Which we did not receive in evidence, and will not receive. The day before the Commission left Bombay Mr. Best handed to Mr. Chauntrell an affidavit contradicting what he had previously said.—He sent me a copy also.

883. He knew that we could never examine him upon it, and he avoided all cross-examination upon the point by so doing. We did not receive that affidavit as evidence, and cannot receive it. I believe that you wrote out to Mr. Best directly you saw his evidence?—I did, very strongly indeed.

884. Will you give us copies of the letters which you wrote?—I have no copy.

885. You never kept copies of your letters?—I did in Bombay.

886. Have you kept no copies of those letters which you wrote to Mr. Best?—I have not done so.

887. Have you had any letters from Mr. Best on this subject?—Yes, three or four; very few indeed.

888. Have you got them?—No; I will give them to you.

889. Can you send for them now?—I cannot very well. I will go for them myself and get them for you when you adjourn.

890. Let us have the history of this transaction from the commencement. What was the commencement of this transaction?—I do not wish to free myself from the fact that I speculated largely, but I rather think that I was induced to go into that speculation by Premchund and Mr. Tracey. I believe that that is the true state of the case.

891. Why should Mr. Tracey feel any interest in your going into that transaction?—He was very largely interested himself in Port Cannings, I believe. I understood so, and he was very anxious that the market should be maintained. At that time the shares were at 11,000 rupees premium per share.

892. And you wish to tell us that Mr. Tracey lent you 1,50,000 rupees?—He certainly did lend me 1,50,000 rupees, and for that very purpose.

893. The way in which you put it, as I understand, is this, that, instead of it being a transaction in which Mr. Tracey was directly interested, it was a transaction in which Mr. Tracey was *indirectly* interested, by wishing to keep up Port Canning shares?—Yes.

894. There is not a very great difference in that. Was he not originally a party to the transaction?—I do not think so.

895. Did not you write out to Mr. Best a full account of what was your view of the transaction?—No, I did not. I wrote out a very short note indeed, telling him that I thought that his evidence was absurd. You are aware that I telegraphed to you, asking to be sent to Bombay. I should have much preferred being examined there, where I had my papers.

896. I never had a telegram from you.—Mr. Chauntrell saw the telegram.

897. Is it not true that Mr. Tracey was first of all interested with you in a smaller speculation in Port Canning shares?—I do not recollect any.

898. You do not recollect that Mr. Tracey joined with you and Mr. Best in this speculation of the two and a half lacs?—I have told you already that I do not believe that he did.

899. That may have been at the last, but at the commencement did he not intend to be a party himself to the transaction to the extent of 1,50,000 rupees?—That I cannot say.

900. Was it an original loan to you of 1,50,000 rupees?—I was certainly alone responsible for that.

901. Was not it originally intended that Mr. Tracey should be a party to that transaction?—I do not believe so.

902. If Mr. Best said so in this affidavit, when we could not cross-examine about it, is it false?—I should like to read it before I say that any part of it is false.

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903. I will read what he says, "I verily and truly believe that Mr. Tracey was first interested with us in a smaller speculation in Port Canning shares for which no money was borrowed, and that after that was closed I and Mr. Brown entered into another and a larger one for 50 shares, and that I asked Mr. Tracey if he would join us in it as it looked favourable, and he was a great friend of mine; that he agreed." Is that true or not?—That I cannot say. I should think it to be true, but I know of no previous transaction with Mr. Tracey.

904. Then you are not prepared to contradict the statement that in the origin of this transaction Mr. Tracey was to be a party to it?—He and Mr. Best may have arranged it. I certainly knew of no such arrangement.

905. Who was to finance the money?—I arranged the money in that form.

906. Who was to get the money?—I think that I got all the money.

907. From the Bank of Bombay, and Mr. Best one lac?—Yes; it is wrong to say that I got the money; the money was got by our office; Mr. Best and I were in the office.

908. Mr. Best goes on to say, "When it became evident that we could not manage it without borrowing, then Mr. Tracey retired from it, paying 1,50,000 rupees for his share." Is that true?—I decline saying anything about that affidavit. I will give you my own evidence.

909. I want to know whether you are prepared to contradict Mr. Best?—I think that it is hardly fair for me to be called upon to speak as to that affidavit without seeing the whole of it.

910. Is this statement of Mr. Best true or false?—I will not swear that it is false.

911. His words are, "When it became evident that we could not manage it without borrowing, then Mr. Tracey retired from it, paying 1,50,000 rupees for his share."—That cannot be correct.

912. "And Mr. Brown gave him a promissory note for that amount."—Why should I do it if Mr. Tracey paid that amount for his share? Upon the very face of it it does not read.

913. Did you give Mr. Tracey a promissory note?—I am not sure. I may have done so.

914. Mr. Best's affidavit goes on to say, "Mr. Tracey lending the shares which had been his to us, which were afterwards lodged with the Bank of Bombay as security."—I cannot understand what that means. I have had a copy of this affidavit.

915. You are wholly unable to explain that statement of Mr. Best?—Entirely.

916. Did not you explain the transaction to Mr. Best in your letters to him?—Not in any shape or form.

917. It is a great pity that you have not kept copies of those letters to Mr. Best.—If they are in existence you shall have them, I will promise you that.

918. Mr. Best also says, "I believe that Mr. Brown (who has twice written to me since my examination, stating that he 'always, certainly, understood that Tracey had nothing to do with the loan') will confirm this explanation," and so on. Who recommended you for this loan from the Bank of Bombay?—Premchund.

919. Will you swear that Mr. Tracey did not recommend you too?—I will swear that Mr. Tracey at first did not recommend me, most distinctly.

920. If you will swear that Mr. Tracey did not at first recommend you, what did he do secondly?—He informed me that if I applied I should receive it.

921. Have you any doubt that he made the way plain for you?—None whatever.

922. And your version of it is, that his object was to keep up the price of Port Canning shares, and not, as Mr. Best first put it, for the purpose of his own speculation?—I think so; I think that that is the true state of the case.

923. Mr. Tracey and Premchund Roychund were both directors of the Bank of Bombay at that time?—I am not sure as to Premchund, Mr. Tracey was.

924. I understand you to say that Mr. Robertson knew how this money was to be invested?—Yes.

925. In a speculation in Port Canning shares?—Yes.

926. Which were at a very high premium?—Yes.

927. What premium were they at then?—11,000 rupees per share, I think.

928. What are they at now?—I do not know.

929. They are at a heavy discount?—I should think at an enormous discount.

930. At the end of the 14 days that transaction was renewed?—It was.

931. There was no security till then, was any security then deposited?—I think that the security was deposited before the end of the 14 days.

932. It was not even deposited on the first renewal; you did not deposit it until the 23d of June. Here are the entries (*handing the securities ledger to the witness*).—Then that is not correct.

933. These shares were deposited on the 23d of June; 46 altogether were deposited. Did you not deposit 46 shares?—That is quite right, but it was long before this date. That is not correct.

934. In the evidence of Mr. Best on that matter he tried first of all to convince us that that security was deposited at the end of the 14 days.—I think that that is correct.

935. But it was not deposited originally?—I will not say that it was.

936. Then the original loan was made to you without security?—Yes; but upon the understanding that those shares should be deposited.

937. Upon the promise that when you had bought the shares they should be deposited?—We had already bought many shares.

938. How was it that you entered into that transaction for 14 days; that you borrowed the money for 14 days?—We expected, before the 14 days were over, to have sold all our Port Cannings at a profit.

939. And Mr. Robertson knew that the money was for that speculation?—Undoubtedly.

940. What happened at the end of the 14 days?—The bill was renewed.

941. First of all, did he not ask you for the money?—I do not remember being asked. I cannot call it to mind.

942. Did he ask you for part payment?—I cannot call it to mind. I should think that we asked for the thing to be renewed.

943. What had happened to Port Canning shares in those 14 days?—I really cannot say whether they went slightly up or slightly down. I think that the change was very immaterial at any rate.

944. Not enough to induce you to sell?—I think not.

945. And Mr. Robertson agreed to the renewal?—I think that the renewal was by Mr. Blair. I am not sure, but I think so.

946. Upon what terms did Mr. Blair renew it?—I really forget; the rate I think was something like 16 or 18 per cent.

947. What were the terms so far as regarded security; did they ask for security?—I have told you that I think that the shares were at that time, to the best of my recollection, given up to the bank.

948. They asked you to fulfil your engagement?—Yes, and we did so.

949. How many shares did you lodge then?—46 were lodged.

950. Did not you lodge 43 at first?—46 were ultimately lodged.

951. Before we pass away from the question with regard to the loan of the 2,50,000 rupees, may I ask you how you repaid Mr. Tracey?—I think that I paid him partly in cash by a cheque upon the Chartered Bank of India, and partly in Port Canning shares.

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952. What number of Port Canning shares did you give him?—I cannot remember the number. I think that I gave him some five or six.

953. You gave him four Port Canning shares out of those 50 shares?—No I think not.

954. Have you any books which will give you any assistance upon this point?—None whatever more than these.

955. The bank managers in Bombay I think were a good deal engaged in share speculations during the year 1864 and the beginning of 1865, were they not?—I am not prepared to say so; if you will ask me any particulars, I will tell you.

956. I ask you first of all, generally, whether in your business as a broker you did not know that the bank managers were then a great deal engaged in speculations?—Some of them were.

957. Were you employed by any of them as a broker to buy and sell shares?—Yes, by one or two I was.

958. I suppose that such transactions required a certain amount of secrecy?—I do not think so.

959. You do not think that it was employment of a confidential character; namely, buying and selling shares for bank managers?—All transactions in which a broker is employed are so far confidential, but I do not think that there is any secrecy in the matter at all.

960. Were not you the broker in October or November 1864 in the sale of six Back Bay shares by Mr. Morrison to Mr. Macfarlane?—I was.

961. Had Mr. Tracey any interest in that?—Not that I knew at first at all.

962. Did you know of it at last?—Yes, I did.

963. He had an interest in it?—He had.

964. Mr. Morrison was the manager of the Asiatic Bank?—He was at that time.

965. Will you look at page 51 of that book (Exhibit F. 2.); do you remember a transaction with Mr. Davison, a bank manager?—Yes, this is it.

966. You were the broker in that transaction?—I was.

967. Does Mr. Davison's name appear there?—Yes.

968. Of what bank is he the bank manager?—I think that he was at that time the manager of the City Bank, I am not sure. Mr. Davison simply bought those shares; they were sold and there was a slight loss, and he paid that loss. This has not the slightest connexion with the Bank of Bombay, and why you should bring in his name I do not know.

969. I have a particular object which perhaps you will see by and by. You were also engaged in another transaction with Mr. Morrison for Commercial Bank shares?—I do not remember it.

970. It is mentioned by Mr. Best in his evidence. He says, "I should like to state that the transaction with Mr. Morrison was a trifling one in Commercial Bank shares;" that is one reference to it. He before says, "I have had joint operations with some bank managers; with Mr. Morrison of the Asiatic Bank." Then he says that that was about Commercial Bank shares. Was that your firm or himself only?—Himself only, I should think; I knew nothing of it.

971. Who was Mr. MacCulloch?—Which Mr. MacCulloch, because there were two Mr. MacCullochs in Bombay?

972. A bank manager.—Mr. David MacCulloch was manager of the Bombay City Bank.

973. Had you not some transaction with him?—Yes; we bought one Port Canning share for him.

974. Did not you also put your name to a promissory note for him of 10,000 or 12,000 rupees?—Yes, for that Port Canning share.

975. You advanced that money to him to buy that Port Canning share?—You can hardly call it an advance; we got that money from the bank.

976. From which bank?—From the Bombay City Bank.

977. Which of the MacCullochs was it?—The manager of the Bombay City Bank.

978. You borrowed the money from the Bombay City Bank to lend it to Mr. MacCulloch, the manager of that bank?—Yes, we did; we signed a note there for the purpose of buying a share for him in the Port Canning at his most earnest request.

979. Is it not the truth that you were engaged confidentially by many bank managers in the transaction of their affairs?—No, it is not; I was engaged in many transactions with bank managers, but I was engaged in no such manner as you refer to.

980. Then there is another entry at page 55 of your book (Exhibit F. 1.), and in the index do you see those entries?—Yes.

981. Can you explain those initials in that book?—No, I cannot; I came to this office a few days ago for the purpose of getting a copy of this sheet of the account, and I cannot explain what names those initials refer to if they do refer to names at all. You will see that the transaction is a completed one in every sense of the word.

982. It is the large sum of one lac and 62,000 rupees Port Canning shares, "B.B., R.F., and P.C.M."—For the last two or three days I have been thinking of almost nothing else, and I cannot call to mind whose initials they are; there is no person answering to C.M., but B.B. and R.F. and P. might stand for many people.

983. For whom?—I cannot say. I bought those shares and sold them to Premchund Roychund, and he paid me for them.

984. But you bought them for certain persons having such initials?—Evidently this account is a joint account, but it is a very small one, if it is to be divided between seven parties; therefore I do not think that the initials do refer to names.

985. Do you really mean to assure us that you do not recollect the names of those parties?—I do most solemnly assure you that I do not.

986. How came it that the greater number of the parties who signed your release were bank managers?—I only owed the banks at the time of that release.

987. Am I to understand that you had borrowed money from all these banks, and that it was in respect of that that they gave you this release?—I borrowed money partly in my own name, but mostly in the names of others and my own also.

988. There is the signature of "W. Fraser, Bank of Bombay," to your release.—If you go through all those names, I will tell you with whom I have had transactions.

989. "Signed, sealed, and delivered by Robert Campbell."—I never had a transaction with Mr. Campbell in my life.

990. Then he signed simply as representing his bank?—Yes.

991. There is the seal of the Bombay City Bank, and the signature of Mr. MacCulloch.—I had the transaction with him of which I have told you.

992. The seal of the Central Bank of Western India was affixed by Edward Heycock.—I never had a transaction with Mr. Heycock in my life.

993. You borrowed money from that bank?—Yes.

994. "Signed by A. Morrison for the Asiatic Banking Corporation."—I had transactions with Mr. Morrison.

995. Had you any other transactions besides those which you have mentioned?—I think that I had previously several transactions with Mr. Morrison in Government paper.

996. There is the name of Mr. Kelly; for what bank did he sign?—For the Bank of India, I think.

997. "Mercantile Credit and Financial Association, J. G. Weatherhead."—I never had anything to do with him.

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998. Did you borrow money of that bank?—It was a joint promissory note with Venayek Pandoorung, with which I do not think that I had anything to do except as surety.

999. When did you submit a statement of your affairs to your creditors?—I am not quite certain as to the date. I think somewhere about May or perhaps the beginning of June 1865.

1000. Had you loans from all those banks; was that the nature of the transactions?—I had got joint loans with others, and my own as well.

1001. Did you ever enter into joint transactions with Mr. Blair of the Bank of Bombay?—Never.

1002. Or Mr. Robertson?—Never in any way.

1003. Or Mr. Rodgie?—No.

1004. Mr. Rodgie signed your release?—He does not sign for himself, but he signs as a trustee.

1005. Did you buy or sell shares for any directors of the Bank of Bombay?—Yes, I think that I sold shares for one or two directors.

1006. Just mention their names.—I think that I have sold or bought shares for Mr. Hannay.

1007. They were commercial directors?—Yes, it was quite a brokers' transaction, in which I had no interest myself whatever.

1008. Had you any joint transactions with Mr. Blair or Mr. Robertson or Mr. Rodgie?—Certainly not at any time.

1009. You said that you submitted a statement of your affairs to your creditors; what was the amount for which you failed?—The amount of my liabilities was about 40 lacs, the securities taken that day were 23 lacs.

1010. That is to say they were shares then valued at that amount?—Yes.

1011. At what date did you lay a statement of your affairs before your creditors?—I cannot remember the exact date, I think that it was in May or June 1865, at the beginning.

1012. There was a meeting of your creditors?—Yes.

1013. Who attended that meeting on behalf of the Bank of Bombay?—Mr. Robertson.

1014. What part did Mr. Robertson take at that meeting?—He took no special part, until finally he either proposed or seconded a resolution that I should execute a trust deed.

1015. By whom was the resolution which was passed at that meeting moved and seconded?—I think that Mr. Campbell proposed or seconded it.

1016. It was proposed by Mr. Campbell and seconded by Mr. MacCulloch, the manager of the City Bank?—Yes.

1017. Is that the resolution (*handing a paper to the witness*)? I see that Mr. Robertson was chairman of the meeting.—Yes, this is the thing (*vide* Exhibit F. 3.)

1018. Is that a correct copy of the resolution?—Yes.

1019. Was Mr. Robertson appointed your trustee?—Yes.

1020. How was it that Mr. Robertson undertook that trust?—That I cannot say. It has been a matter of great regret to him that he had anything to do with it.

1021. But what induced him to undertake it?—I cannot say; he was asked to do so, I think, from his position in the Bank of Bombay.

1022. Was he a great friend of yours?—Not specially so. I saw him very often at the Bank of Bombay. I was intimate with him.

1023. Have you never been mixed up with him in any transaction?—Never in any single transaction of any kind whatever.

1024. What books were handed over to Mr. Robertson when that deed was signed?—All the books that I had at the time which he wanted.

1025. He gave one book to us and this paper.—You got the books from the office.

1026. We got one from Mr. Best. Had Mr. Robertson all those books given over to him?—Yes.

1027. By whom was this deed of release drawn?—By the late Mr. Crawford.

1028. He is dead?—He is.

1029. Did you read this release before it was executed?—Yes, and you have taken very marked notice of it, but it is the very same release as others in the Bank of Bombay had.

1030. Did you read this release?—Of course.

1031. Here is the recital, "Whereas the said Forrest Loudon Brown in the course of his said trade and business in India has become indebted to the several persons, corporations, and firms whose several and respective names and styles are set forth in the schedule hereunto annexed, marked with the letter A." I ask you whether that is a correct statement of the facts, that those debts were incurred in the course of your trade and business in India, which was that of a broker?—I can only tell you this, that I was in Bombay doing a very large business at the time when that speculation was going on, and I became involved to that extent.

1032. Is that a correct statement of how you became involved?—I take it that it is.

1033. That you became involved as a broker. Your designation is "broker of Bombay of the first part." Is that a correct statement?—I certainly became indebted to those persons, that is all that I can say about it.

1034. "Has become indebted to the several persons, corporations, and firms whose several and respective names and styles are set forth in the schedule hereunto annexed, marked with the letter A." Where is the schedule?—I sent it to Mr. Robertson, and every bank manager received a copy.

1035. Where is it annexed to the deed?—That I do not know; it ought to be attached to that deed.

1036. There is no schedule here.—I can send you a copy as soon as I get to Bombay. That deed was registered in the registrar's office immediately after it was executed; you could have got a copy there at an hour's notice.

1037. You say that May was the date when you laid your statement before your creditors?—I could not be sure of the date.

1038. When was the meeting? Was it not on the 11th July? It appears that the secretary reported on the 13th July that you and Mr. Best had laid a statement of your affairs before your creditors. Do you mean to say that you really did fail in May, and that you laid a statement of your affairs before your creditors at that time?—Certainly not; the first statement was made when that paper was drawn up, but I may have told them individually before that.

1039. When did you fail, was it in July?—The meeting was on the 11th of July.

1040. How long had you been insolvent before you got this release?—I should think quite for a month, if not more.

1041. Then your creditors did not harass you very much?—They have harassed me very much indeed. I laid the whole matter before them.

1042. They seem to have given you a full release on the 15th day of July, about a fortnight, I believe, after you became insolvent; that is a release for all these enormous debts, is that not so?—You have the dates there. I worked very hard and got what I thought a proper release signed.

1043. All these bank managers agreed to give you this release, Mr. Robertson being one?—All those parties present at that meeting agreed to it.

1044. What estate did you give up to your creditors?—I gave up the little which I had left.

1045. What was that little?—The schedule A., which you say you have not got, gives the particulars.

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1046. Was not there a coffee estate?—Yes, it was a very large coffee estate, but it unfortunately fetched very little in the market afterwards.

1047. How much did it fetch?—I believe about 7,500 rupees.

1048. And I believe that that was about all the estate which was realized?—No, it was not so, I believe.

1049. What was the amount?—I should not like to be quite certain, but I think something like 25,000 rupees.

1050. I ask you seriously whether there was not some good reason why all these managers, Mr. Robertson included, gave you this release so freely?—I know of no reason whatever.

1051. You are not aware of any of their secrets?—There was not a single secret which I will not answer you.

1052. I can only ask you upon the information which I have received, but I will not pursue the matter further, if you undertake to swear that.—I undertake to swear it.

1053. Have you any further information to give us as to the Bank of Bombay?—None whatever; if you ask me any questions, I will faithfully answer you.

1054. You were a broker constantly doing business with the bank?—Yes, I was.

1055. What did you think as to the business, and how it was done?—Towards the end of 1864 and the beginning of 1865 they were very easy in giving loans, that is the only remark which I have to make about it.

1056. You have no particular information to give us on any point?—None whatever.

1057. Were you acquainted with Mr. MacCulloch whom you have been speaking of?—Yes.

1058. Is he the Mr. MacCulloch who is a partner in the firm of MacCulloch, John, & Co.?—No, he is no relation whatever.

1059. Is he the Mr. MacCulloch who was mixed up with Mr. Premchund in business?—No; I wish to make an observation. I am a little excited, but out in India you expressed yourself very frequently to the effect that, when you came to England, you would summon me before you, and would examine me very closely about this deed of release.

1060. I said that I should examine you very closely.—Of course you had some reason for that?

1061. Of course I had, and you have seen it to-day.—You said that you should examine me in a very marked and special manner.

1062. And I have examined you in a very marked and special manner.—I think that you might have said why.

1063. I cannot do that. I am sorry to say that I have a very unpleasant duty to perform, and I am forced to act upon the best information which I can get.—Then I wish to say that I had no transactions whatever.

(*President.*) In consequence of the illness of Mr. Blair we have no further witnesses summoned for to-day, and we shall not be able to sit again until Friday. Four Government Directors are summoned for that day. We expected Mr. Blair to attend. We are going to examine him at his private residence. It must be a public examination within the meaning of the act; we shall take a reporter and also our own reporter, and probably Mr. Newmarch will attend.

(*Mr. Crole.*) I am in attendance for Mr. Turquand, in obedience to a summons to him. So far as the account current of Mr. Blair is concerned, I can leave the Commissioners a copy of it.

(*President.*) I think that the only account which we shall want is that account.

(*Mr. Crole.*) I will leave you that.

Adjourned to Friday next at 11 o'clock.

Friday, 13th November 1868.

PRESENT:

President.

Sir CHARLES JACKSON.

Members.

Major McLEOD INNES.
MAXWELL MELVILL, Esq.

Secretary.

F. D. CHAUNTRELL, Esq.

ARCHIBALD D. ROBERTSON sworn, and examined.

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1064. (*President.*) I believe that you are a retired member of the Bombay Civil Service?—I am.

1065. I believe that you were Chief Secretary to the Government of Bombay in the years 1863 and 1864?—I was. But before the Commissioners proceed to take my evidence, I wish to have their permission to make a statement. It is this: that in March last, when I left India, I was not aware that a Commission had been appointed to enquire into the losses of the Bank of Bombay; in fact I understood that the Government had consented to have no formal inquiry. I had stated to his Excellency the Governor of Bombay, as far back as November last, my intention to retire from the service in March, giving that as the reason for being permitted to refuse an appointment which he was then good enough to offer me. Notwithstanding that, had I known that the Commission were coming to Bombay, I should have felt it my duty to have offered to have given my evidence in Bombay before them. This I explained to Sir Stafford Northcote on my arrival in England, but I think it desirable to state it now here.

1066. When were you appointed Chief Secretary to the Bombay Government?—I was appointed Secretary in May 1860, I think. At that time I had charge only of the Public Works Department, and the General Department. Subsequently, in 1861, I was put in charge of the Revenue and the Financial Departments.

1067. I understand you to have been Chief Secretary to the Government?—I acted as Chief Secretary to the Government.

1068. When were you appointed a member of the Legislative Council of Bombay?—In 1863, I think.

1069. At what time of 1863?—The beginning of 1863; I think so; I am not sure; it might have been the end of 1862.

1070. When were you appointed a Government director of the Bank of Bombay?—When I became Financial Secretary to the Government.

1071. When was that?—In 1861.

1072. Did you sit regularly after that?—Yes, up to 1864; the 21st of April 1864.

1073. You were a director then when Act 10 of 1863 was passed?—I was.

1074. When did you resign the appointment of Government director?—In 1864. I left Bombay at the end of April or May 1864, and did not return again.

1075. Your last sitting at the board was on the 12th of May?—The 21st of April, I think.

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1076. No; it was on the 12th of May, and you were appointed on the weekly committee on the 26th May?—Was I present at a meeting in May 1864?

1077. Yes.—Then it must have been so.

1078. And you were appointed a member of the weekly committee.—I went to Mahableshwar on the 14th May 1864, and never returned to Bombay, excepting, I think, for a couple of days, until I returned to England in September.

1079. Then how came you to be appointed on the weekly committee on the 26th of May?—I came to be appointed because I had not been officially gazetted out.

1080. I see that Mr. Jacomb, your successor, did not take his place at the Board till the 9th of June?—That may be; I have a note (I am afraid that I have not brought it with me) from the Assistant Secretary in Bombay, giving the dates of my absence from Bombay, and he there puts down, "Proceeded to Mahableshwar, 14th May 1864."

1081. I see that you were absent from the 14th July 1863 till the 29th of October 1863?—Yes; I was at Poona.

1082. Did you attend the Bank regularly after the 29th of October 1863?—I cannot say that I did; the Board minutes will show. I did attend pretty regularly; occasionally other business prevented my attending.

1083. The first point to which I wish to call your attention is Act 10 of 1863. What part did the Executive Government take in the preparation of that Act?—The first step was in 1861, it having been decided to withdraw from the Banks their right of issuing notes, and to have a Government paper currency.

1084. We know that history, but I want to know what part the Goverment of Bombay took in the preparation of the Act?—In consequence of these changes, the Government of India called upon the Government of Bombay in 1861, to inform them what alterations would be requisite in the law to carry out these modifications. In compliance with this request, I submitted to the Government law officers an interleaved copy of the original charter of the Bank of Bombay. This is it (looking at C 2), showing in the margin the modifications which it appeared to me would be desirable.

1085. I am not asking at present what you did, but I want to know what part the Executive Government took, that is to say, the Governor in Council?—I will explain it, if you will permit me. This having been submitted to the Government law officers, it was returned by them, with an opinion from Mr. Westropp, to say that they could not take upon themselves the responsibility to draft a Bill, and that we ought to call upon the directors of the Bank to require their solicitors to prepare a complete draft, which would be submitted to them.

1086. Do you know of any minute or resolution of the Executive Government upon this Act 10 of 1863?—It passed through a good many stages. All these papers were submitted to the Government. I do not know that there was any formal minute; there were draft letters submitted.

1087. There is a memorandum of yours as Chief Secretary set out at pages 78 and 79 of the Blue Book, as to which it is stated, "This memorandum having been approved of by his Excellency the Governor and the Honourable Messrs. Inverarity and Frere, the Government Solicitor was addressed to the effect suggested in paragraphs 1 and 2 thereof, and requested to modify the provisions of the Bill, to the effect that the Bank shall not deal in foreign exchanges, except to such extent and in such manner as the Governor of Bombay in Council may specially authorize;" and then again down below it is stated, "The following minute (dated 24th January 1863) was recorded by his Excellency the Governor, and concurred in by the Honourable Mr. Inverarity: 'These papers should be transferred to the Legislative Department, with the view that the Bill, amended as suggested in paragraph 4 of the opinion of the Advocate General, be published in the Government Gazette, in accordance with Rule 12 of the rules for regulating the conduct of business by the Legislative Council.'" Is there any other

minute? We asked in Bombay, and we were told that there was none.—I believe not.

1088. You do not remember ever seeing any other minute of the Executive Council?—I do not. The practice was that the Secretary took the papers personally to the Governor, and took his instructions upon them, after which they were circulated, but very frequently no formal minutes were passed. Upon the instructions so received a letter was addressed to the Government of India, or any other authority.

1089. Then I am to understand that the Governor and Council in the Executive Council wrote no minute on the policy or principle of this Act?—They wrote no minute; they relied upon the advice of their law officers.

1090. This Bill appears to have been referred then to the Financial Department?—Yes.

1091. And it was for a considerable time under discussion there?—Do you mean the Government of India or the Government of Bombay?

1092. The Government of Bombay?—Yes.

1093. That came under your cognizance?—Yes.

1094. I will refer you to a letter of your own, dated 31st January 1867; it is found at pages 104 and 105 of the Blue Book. You say, "I had the honour to have charge of the bill before the Council; but in moving the first reading of it, I did not, I must say, consider it requisite to institute any comparison between it and the Bills granting fresh Charters to the Banks of Bengal and Madras; all that it seemed to me necessary to do was to point out the principal changes, which, as compared with the old Charter, the Bill proposed to effect. On remarking on section 31 of the draft, which corresponds with section 32 of the Bill as finally passed, I did not, however, make special allusion to the words referred to in the extract from the despatch in question; and I may state, from my knowledge, as well as from my recollection of what took place both while the draft was under consideration and while the Bill was before the Council, that these words did not attract attention on the part of any one. There is no doubt, I think, that they crept into the Bill simply in consequence of the phraseology of the English Joint Stock Companies' Act having been followed in the preparation of the draft. It will be observed, from paragraphs 52 and 54 of the summary, that I had the honour of suggesting that the wording of the Act for the Bank of Bengal should be adopted in preference; but, for the reasons stated in paragrahs 53 and 56, that suggestion was not acted upon, which of course it is now to be regretted was not done." I ask you, did you institute any comparison between this draft Act and the Act for the Bank of Bengal?—I did, so far that I put, I think, the corresponding sections against the draft. I should like to see what I actually did; it is a long period since. I find here a copy of the draft with marginal annotations, as, for instance, against section 3. "The word made use of does not occur in section 39 of the Bengal Act, otherwise the substance is precisely similar;" and such like notes.

1095. Did you make any comparison between the two Acts to show in what respect they differed in point of principle?—I did, to a certain degree, but I admit that I did not properly weigh the precise bearing of all the words.

1096. If you had ascertained the difference of principle to have been great, I suppose that you would have felt it your duty to lay those differences before the Executive Council?—I should.

1097. That which you laid before the Council is to be found in paragraphs 52 and 54 of the summary, at page 77 of the Blue Book?—Yes.

1098. In paragraph 52 there is the following letter from yourself to the Bank of Bombay. "In forwarding extract paragraphs 49 to 55 of a Despatch from the Secretary of State to the address of the Government of India, No. 158, dated 16th September 1862, on the subject of the transfer to the Banks of the business hitherto transacted at the Government treasuries, and the introduction of the Government paper currency in India, I am directed to transmit copy of draft Bill for the re-incorporation and re-constitution of the Bank of Bombay, as prepared by the Bank's solicitor, and revised by the

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Government law officers, on the margin of which I have caused to be shown the corresponding sections of Act 4 of 1862, for the re-constitution of the Bank of Bengal; and in drawing the attention of your directors to the verbosity of the Bombay Bill, as compared with the Bengal Act, I am instructed to suggest that for many reasons the wording as well as the order of the provisions of the latter should be adhered to as far as possible." Is it not clear from the wording of that letter that your objections to the Act were not objections founded upon principle, but to the verbosity and the arrangement of the Act?—The objection to the verbosity was so far as the wording of the Act of the Bank of Bengal was simpler and more easy to be understood. The Act for the Bank of Bombay had long repetitions, as it were, of the different provisions, and how far they affected them I knew not. I felt that it would be easier and more satisfactory to have a simpler wording.

1099. Is it not clear from that letter that your objection to the Act was an objection confined to its verbosity and arrangement, and not extending to its principle?—Yes.

1100. Your memorandum, set out at pages 78 and 79 of the Blue Book, says: "Submitted to the Honorable Board, with a suggestion that the opinion of the Government law officers be taken as to the advisableness or otherwise of adhering to the wording of the Bill as drawn, for the reasons stated by the Bank's solicitors, or whether it would not be preferable to adopt the wording of the Act for the reconstitution of the Bank of Bengal." Is not that the same?—Yes. I felt that the Act for the Bank of Bengal was one which I could understand, and the other was one of which I could not quite understand the whole as worded.

1101. What is the meaning of the last paragraph in your letter on page 105: "It will be observed from paragraphs 52 and 54 of the summary that I had the honour of suggesting that the wording of the Act for the Bank of Bengal should be adopted in preference; but, for the reasons stated in paragraphs 53 and 56, that suggestion was not acted upon, which of course it is now to be regretted was not done." Why was it to be regretted, if it was only the wording, and the verbosity, and the arrangement which was objected to?—Because it is alleged that it gave powers which have caused the losses which have since occurred.

1102. Any alteration in the mere wording and arrangement would never have affected any change in its principle. I do not understand your paragraph.—If the wording of the Bengal Act had been adhered to, this clause, out of which it is supposed that the losses have originated, would not have appeared in the Act; and it is therefore to be regretted now, after the occurrences, that that suggestion was not acted upon.

1103. Then do you intend to say that you really did mean to suggest that the principle of the Act of the Bank of Bengal would have been better than this?—I supposed that the principle corresponded, and was similar.

1104. The principle of the two Acts?—Yes.

1105. Did you read them?—I did.

1106. Did you read Act 10?—I did. I most carefully read it.

1107. Did you ever point out to the Government the differences between the two Acts?—As I state, and as is contained in that letter, I think, to the Bank Directors, a copy of the draft was submitted, showing the corresponding sections in the Act of the Bank of Bengal.

1108. But did it show the differences in principle?—It did not refer to them in detail.

1109. The effect of this paragraph is to suggest that you pointed out the differences in the Act; whereas, in point of fact, it does not appear that you did, but that you rather throw the blame on somebody else.—Pardon me. I merely point out that if by a fortuitous chance (I do not wish to take credit for it) my suggestion had been acted upon, everything would have gone right.

1110. I do not see that at all; you meant only that the Act would not have been so verbose, but with no alteration of principle?—But if the wording

of the Act of the Bank of Bengal had been acted upon, the result would have been different.

1111. Do you mean by "the wording" in fact a different principle altogether? Do you mean, for example, that bills should not be discounted without two names?—I mean that it would have been better if word for word the Act for the Bank of Bengal had been adopted. The Bill was only originally prepared not to be brought into the Legislative Council of the Government of Bombay, but for submission to the Legislative Council of India. I felt that, if we adopted an Act which had been passed by the Government of India themselves, they would approve of it, and there would be no difficulty. I therefore thought that it would be proper and more judicious to take word for word the Act for the Bank of Bengal.

1112. Then do you mean to say that it was not the deliberate intention of all parties that that Act should be much less restrictive than the old Act?—I would refer you to an opinion of the——

1113. Are you not aware that it was the deliberate intention of all parties that that Act should be much less restrictive?—Yes.

1114. And did not the original draft contain words reciting that the provisions of Act 3 of 1840 were inconvenient and imperfect, or unnecessarily restrictive?—Yes.

1115. Then how do you mean to say that you proposed that the exact words of the Act of Bengal should be adopted?—I merely state the fact which is on record, that it was proposed by me that the wording of the Act of the Bank of Bengal should be adopted.

1116. But not its principle?—If I adopted its wording, I should adopt its principle.

1117. I do not think that any one will say that that was the meaning of your suggestions to the Government. Were you acquainted with the policy of the Government at that time?—In what respect?

1118. As to the passing of this Act?—There were despatches from the Secretary of State giving us general instructions from the Secretary of State, which referred to the transfer of the Government treasuries, taking away the right of issue of Government paper, and that they were to be, as formerly, Banks of discount, and not to have the right of exchange. Those were the general instructions from the Secretary of State.

1119. We all know that perfectly; but I want to know what was the policy of the Government of which you were an executive officer. What did you understand to be the policy of the Government with respect to this Act 10 of 1863, as to the privileges of the Bank?—I considered generally that they were to be unrestricted in their general business, with the exception of bills of exchange.

1120. They were to be unrestricted in their general business, except as to foreign bills of exchange?—Yes.

1121. If that was the case, how could you possibly have adopted the wording of the Act of the Bank of Bengal?—Because I saw that it was simpler, and easier to be understood.

1122. That was on account of the arrangement of the Act for the Bank of Bombay, and its verbosity?—Yes.

1123. But not as to its principle?—I do not wish to argue the point with the Commission.

1124. Was there any desire of the Government that the free-trade principle should, as far as possible, be applied to the Government Bank?—May I read a part of an opinion by Mr. Bickersteth, the Government solicitor, in reference to this question?

1125. That is not an answer to my question. I want now to know what was the policy of the Government?—May I read a paragraph from a despatch of the Secretary of State?

1126. Yes, if it is material to the framing of this Act.—The policy of the Government of Bombay was that laid down by the Secretary of State in his

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despatch * of the 14th September 1862. Here is the paragraph: "Any Bank to which the balances and treasury business of the Government are to be entrusted must be restricted to legitimate banking operations, such as those transacted by the Bank of England or by the Bank of Bengal as heretofore constituted." We took the advice of our law officer, Mr. Bickersteth; and he says:—"Upon a comparison of the powers intended to be conferred upon the Bank, with its existing powers, and those of the Bank of Bengal as heretofore constituted, it will be observed that they are considerably extended, and in some respects exceed those now conferred upon the Bank of Bengal by Act 4 of 1862. The Secretary of State, in the 53rd paragraph of the despatch, desires that the business of the Bank be restricted to legitimate banking operations, such as those transacted by the Bank of England or by the Bank of Bengal as heretofore constituted. So far as I am aware, the powers intended to be conferred by the Bill, though more extended in some respects than those of the Bank of Bengal as heretofore, or at present constituted, do not exceed those of the Bank of England; but my knowledge on this subject is very limited."

1127. When you got that opinion, did you make any comparison between the provisions of Act 10 of 1863 and the Bank of Bengal Act?—I cannot recollect that I did.

1128. Do you not remark how very cautious that letter of Mr. Bickersteth's is? His opinion is a very cautious one, and ought to have aroused suspicion, for it says: "If I understand the despatch correctly, the only points on which the Secretary of State insists on a modification of the proposed concession to the Bank is with regard to the limited authority intended to be conferred in certain cases, of drawing, or buying, or discounting bills payable in the United Kingdom, which I presume to be what is referred to, and deprecated in the despatch as dealing in foreign exchanges." He therefore seems to say that the Secretary of State has limited the discretion as to that. He continues thus: "This power was conferred by the 32nd section of the Bill, and I have therefore introduced the necessary restriction in that section. And as it seemed likely that there might be considerable conflict of opinion between the Secretary of State and the directors of the Bank as to what were legitimate banking operations, 'to which the business of the Bank is to be confined, and that which is not banking, but speculative commercial business,' I have thought it necessary further to modify the 32nd section by withdrawing the general power to transact any banking business, and to limit it to the transaction of the particular kinds of business specified in the section. In other respects I have not altered the provisions of the Bill, and do not express any opinion as to its propriety or otherwise."—Yes.

1129. So that he seemed to guard himself against expressing any opinion as to the policy of the Bill?—Yes.

1130. Then he goes on to make those observations which you have read.—Yes; with reference to this, I would state, that it was after this letter of Mr. Bickersteth's that I think I suggested the adoption of the wording of the Act of the Bank of Bengal.

1131. You did do so after it, undoubtedly.—I did so simply because I thought that it would have been safer to follow that wording.

1132. Surely if you had meant that, you would have said what the differences in principle were. Did you at any time, after getting that letter from Mr. Bickersteth, point out to the Executive Council the great variations in principle between the two Acts?—I submitted Mr. Bickersteth's letter to the Council.

1133. But you yourself did not give them any comparative statement of the two Acts?—I wished to see what steps were adopted upon it. I did not, I see, specially point it out.

1134. Did you take the opinion of the Council as to whether the business clause should be confined to the business permitted to the Bank of Bengal, or whether it should remain as it was suggested in the draft?—The draft,

* Vide Blue Book, p. 93.

after having been dealt with in this way, was forwarded to the Government of India for their approval, and came back approved by them.

1135. I believe that you had charge of this Bill in the Legislative Council?—I had.

1136 And I believe that Mr. M. H. Scott represented the Bank?—I believe so; at least it was understood so. I think it very important here to note that this Bill, before it was brought up to the Legislative Council, was submitted to the Government of India for their consideration and approval, and was returned by them approved, and on its coming back from the Government of India, instead of being introduced direct into the Legislative Council of Bombay, was forwarded on the 12th of May 1862 to the Secretary of State. The Bank pressed us for some five or six months to proceed with it. They complained much of the delay in giving them the new charter; at last, getting no reply from the Secretary of State, and acting upon the approval of the Government of India, the Bill was brought into the Legislative Council February 1863.

1137. We know all that.—But the shareholders do not know it.

1138. The real point which I have is with reference to your letter, in which the object, as I understand it, of that paragraph of the letter, was to show that if your suggestion had been adopted, that Act with all its objectionable provisions would never have been passed. It is pretty clear to me that you never did object to the principle of that Act 10 of 1863, but that in fact you only objected to its verbosity and its arrangement. I believe that you made a speech in moving the introduction of this Bill?—Yes, of course I did.

1139. And I suppose that the speeches in the Legislative Council of Bombay were very much as we used to have them in the Legislative Council of Calcutta, namely, corrected by the members themselves?—Yes.

1140. In introducing the Bill to the Legislative Council you said, "The principal changes now proposed are as follows: By sections 5 and 6 the directors of the Bank are to have power to increase to two crores and 10 lacs of rupees the capital which by the existing charter is limited to 50 lacs. By section 9 trustees are not to be recognized, and by section 10 transfers of shares are to be either by separate deed, or deed endorsed on the share certificate and to be registered. Section 14 provides that there shall be ten directors instead of nine, as at present. Of the ten directors four are to be appointed and removable by Government, and the remaining six by the majority of shareholders at a general meeting. By section 31" (this is the business clause) "alterations are provided for with respect to the business of the Bank, viz., in addition to the existing power (excepting that of issuing notes) the Bank is empowered to grant loans and advances on goods, wares, and merchandize, or other property, acting as agents on commission." Then you go on to speak about the Foreign Bills?—Yes.

1141. Did you ever point out to the Legislative Council the great and striking differences between Act 10 of 1863 and the old Act 3 of 1840?—I generally described the nature of the business there, but I did not enter into a comparative analysis of the two.

1142. Did you point out the following things?—I pointed out what is stated in the speech, and nothing else.

1143. Did you point out to them that, whereas the old Bank had no power of discounting negociable securities, unless two independent firms or persons were represented upon those negociable securities, there was no such provision in the new Act?—I did not.

1144. Had that ever struck you?—No, it had not.

1145. Then it was not your wish to introduce that provision when you proposed that the wording of the Act should be that of the Act of the Bank of Bengal?—I cannot say that I had any special wish upon the point.

1146. Did you point out to the Council that the old Act provided that negociable securities should not be discounted which had more than three months to run, and that there was no such restriction in the new Act?—I do

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not quite recollect what were the provisions of Schedule B., which was attached to the Act.

1147. But that was struck out?—I am not sure but that these provisions were not introduced there.

1148. Some of them were.—There was such an entire modification in the arrangement of the draft that it would have been a very complicated and difficult thing to compare every single modification.

1149. The three months' clause was in the Schedule, but not the first provision which I have mentioned. Did you point out to them that, whereas you were not, under the old Act, allowed to lend or advance money on any bank shares or certificates of shares, there was no such provision in the new Act, but that, on the contrary, the new Act contained express provision that you might advance money upon the shares of other public companies in India?—I did not.

1150. Did you remark that difference?—I did not.

1151. Then when you proposed that the wording of the Act of the Bank of Bengal should be followed, you did not propose it with the view of having those words inserted?—I can only state that there was a general feeling in my mind that the Act of the Bank of Bengal was a simply worded one, which every one could understand.

1152. You preferred the wording and the arrangement?—Yes.

1153. That is what I understand you to have meant, and nothing else?—Yes.

1154. With respect to the words "other public companies in India," had those words attracted your attention?—They had not, specially.

1155. I remark that in your letter to the Government of Bombay, at page 105 of the Blue Book, you say, "and I may state from my knowledge, as well as from my recollection of what took place, both while the draft was under consideration and while the Bill was before the Council, that these words did not attract attention on the part of any one. There is no doubt, I think, that they crept into the Bill simply in consequence of the phraseology of the English Joint Stock Companies' Act having been followed in the preparation of the draft."—Yes.

1156. Where did you get that information?—The correspondence shows that we returned this draft to the directors of the Bank, with the suggestion that the wording of the Act of the Bank of Bengal should be adopted. They replied to the effect that it was very desirable to adopt the wording of the English law, in order that, if questions arose, they might have the advantage of the decisions of the English Courts upon them. This letter came back to the Government, and the Government law officers were asked for their opinion upon the point. They concurred with the Bank's solicitors in the opinion that it was desirable to adhere as much as possible to the English form of law.

1157. In point of fact have you ever looked into those Acts?—I have not.

1158. Is the suggestion of Mr. Kelly, the Bank's solicitor, at all correct? Did you ever inquire into the matter, whether it was correct, and whether the phraseology of those Acts was adopted?—No.

1159. Who did inquire into that?—I considered that the Government law officers did so. You must recollect that I had a thousand things to do besides attending to this Bank.

1160. I see that Mr. Lewis writes an opinion afterwards, and takes no notice of that observation. He says, "The clauses of the Bombay Act appear to me to have been framed with care, and I see no adequate reason why the wording of the Act relating to the Bank of Bengal should be adhered to in preference to that of the Bombay Bank Act;" but he does not refer to that question. You, however, seem to have adopted it as correct?—I did. I relied upon our legal advisers, as I consulted them.

1161. In consequence of that, it was adopted by the Government of India, and in their letter afterwards they say, "It is to be regretted that the legal advisers of the Bombay Government, instead of adhering to the wording of

the Charter Act of the Bank of Bengal, should have gone out of the way to follow the Joint Stock Companies' Act, the provisions of which are not suitable to the regulation of the business of a Bank in immediate connexion with the Government." There is no such provision at all in the Joint Stock Companies' Act. We have searched, and have looked over every English Joint Stock Bank Act.—It is evident that an error was committed.

1162. I admit that it does not originate with you.—I do not want to take credit to myself by saying that I should have discovered it, or should have made any alteration in the Bill finally after it came back from the law officers; but on the 27th of February 1862 I was temporarily relieved from the office of secretary to Government, and Mr. Ellis had charge of the office, and I did not resume charge until the 13th of March 1862. Between those dates the draft came back, and was forwarded to the Government of India, and was returned with their approval.

1163. It did not occur to you, or to any member of the Government, to send for the written drafts of Mr. Green, the counsel who drew the Act? — No; we had merely copies sent to us.

1164. I think that if you had done so you would have found out the whole history of the matter. How was it that Schedule B. came to be left out of the Act?—Have the Commissioners a copy of the proceedings of the Legislative Council?

1165. Yes; we have read them.—There is a report there. A committee of the Council was appointed to report upon the Act, of which I was a member, and Mr. Tristram, and Mr. Lewis, the Advocate-General, were the other members. In going through the draft we felt that there would be great difficulties in making this a part of the Bill, because, if any changes or modifications were necessary in a matter which could otherwise be done by bye-laws, no change could be made without having recourse to legislative enactment; and it was therefore considered more advisable to adopt the course followed in the case of the Bank of Bengal, namely, to give permission to the directors of the Bank to prepare byelaws, which were to be submitted to the Governor in Council for sanction.

1166. Supposing those to be good reasons (which I am not prepared to dispute), ought it not to have been your duty, as a director of the Bank, to have seen that proper byelaws were passed to carry out these provisions?—Of course it was my duty, in common with the other directors.

1167. You and Mr. Scott particularly, having struck this out advisedly?—Mr. Scott had nothing to do with it.

1168. He was in the Legislative Council, and he must have known of the fact.—The Select Committee were responsible, that is to say, myself, the Advocate General, and Mr. Tristram.

1169. Was not it your duty to have passed byelaws to carry out these provisions?—It was.

1170. And it was an omission on your part not to provide those byelaws?—It was; but I would state, in explanation, that I was frequently absent from Bombay; this Act I think did not receive the assent of the Governor-General in Council until the 1st of August 1863, and I was at that time absent at Poona until October.

1171. On the 29th of October 1863 you took your seat again at the Board?—Yes. No doubt it was an omission; but a question of byelaws is a matter requiring time and consideration, to see that all the points which should be introduced into the byelaws are included. I submitted a memorandum before the Bill passed to the Bank directors, asking whether they had any objection to the withdrawal of this schedule; and at that meeting the matter was considered, and it was then talked of that this point would be taken into consideration afterwards.

1172. What difficulty was there in drawing up byelaws to the effect of the 5th, 8th, and 9th of these provisions?—There was none.

1173. In fact, why did not you pass this Schedule B. as byelaws?—No doubt it might have been done; but byelaws would require some considera-

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tion to prepare them. I can only give that as the reason why the thing was not done at once.

1174. Did you ever suggest that it should be done?—I can only recollect that the matter was discussed when the question of withdrawing the schedule was under consideration.

1175. But after the Act passed, you did not go into that question?—No, I did not.

1176. Did you attend a general meeting of the shareholders in 1865, at which Mr. Hannay addressed them?—I left India in September 1864, and did not return again until May 1866. I was therefore not present at that meeting.

1177. After saying that Mr. Birch was a model man of business, he says, "Mr. A. D. Robertson has been much blamed with reference to the new charter, but, if the truth were told, I think it would be found that his brother directors considered him exceedingly obstructive, not only as objecting to some clauses now in the Bill, but also to some others which possibly (but for him) might have been there." What does Mr. Hannay refer to when he talks of your being "obstructive"?—I wish that he were here to explain it. There was very great delay in bringing the Bill into the Legislative Council, and I fancy that they supposed that, after it had been referred to the Secretary of State, I was keeping the matter back unnecessarily till the Secretary of State's answer was received. I do not know on what other grounds he considered me obstructive.

1178. There were no clauses which you proposed?—Upon the question of foreign exchanges they may have considered that I was obstructive; I was the organ of Government in communicating these things, and they perhaps thought that I had something to do with it.

1179. Leaving the Act 10 of 1863 so far as you are concerned with it, I believe that you were a director at the time of the second increase of the capital?—I was.

1180. On the 11th February and 7th March 1864 that increase was resolved on?—There was an increase.

1181. What is your opinion with respect to the wisdom of that measure?—With regard to the first increase, it certainly was a mere supplying of funds which were taken away by the withdrawal of the right to issue Government notes, and it left the Bank, you may say, in the position which they held before their privilege of issuing was taken from them.

1182. I am not asking you about the first increase, but about the second increase?—I took no active part whatever in it as a director; it was a matter which I thought was entirely for the shareholders' directors to consider, and to submit to the Government; it was submitted to the Government.

1183. The old Act required that the question of an increase of capital should be submitted to the Government?—Yes.

1184. And the new Act did not?—It did in this respect, that the Government were shareholders themselves, and they were bound to decide whether they would take up their shares, and approve of it in consequence.

1185. That is quite another thing. But I want to know whether the consent of the Government was obtained to the increase of capital?—It was obtained in this way, that the sanction of the Government of India was given to taking up the new shares.

1186. That was after you had arranged for increasing the capital. They simply consented to take the shares. Was that all?—Yes.

1187. Before the increase of the capital was the consent of the Government obtained?—I do not think that it was required by the Act.

1188. It was not required by the Act, and therefore I am surprised at your saying that it was obtained. The old Act required the consent of the Governor General in Council?—Yes.

1189. Was the consent of the Government of Bombay obtained, or not, before the increase of that capital?—Only as regards taking up the shares.

1190. That was after the increase was resolved upon?—Yes. It was not dreviously obtained that I can recollect. I do not recollect its being submitted to them.

1191. Did you, as Government director, in that capacity consult Government as to the measure, formally or informally?—I certainly informally did so, but not formally that I can recollect.

1192. Did the Government raise any objection to the measure?—No. It was felt that that was a matter for the shareholders themselves to decide.

1193. What is your opinion of the measure in itself; do you think it a wise and prudent measure?—As a Bank holding a Government account, and as a Government director, I should say that, the larger the capital, the better the security for Government.

1194. That depends upon what care was taken of it?—Of course.

1195. Do you think that there was room for the safe employment of so large a capital?—I think so; at least I see no reason why it should not have been safely employed.

1196. We have evidence before us in an official letter that there was the greatest difficulty in getting that capital invested afterwards, and that money was lying unemployed. You are not aware of that fact?—No. That was after my time. The resolution to increase the capital was passed in March 1864, but, as you are aware, I ceased to be a director at the end of May.

1197. Did you, when you called a general meeting for this increase of capital, take into consideration the fact that there were sixteen Banks established in Bombay at the time?—I do not recollect that I took any active part in the consideration of the question. I was present at the meeting of the board, I believe, but I took no active part in it.

1198. During the time that you were a director, which was nearly a year, namely, eleven months, you had of course great opportunities of observing how the business of this Bank was conducted?—Yes.

1199. What did the President do? What were his duties?—During the time that I was a director, I never looked upon the President as holding a position different from that of any of the other directors, except as merely presiding at our board meetings. In confirmation of that fact, I think it is sufficient to note that weekly committees of directors, consisting of one Government director and two shareholders' directors, were appointed every week to look after and to attend to any matters which were of urgency between the board meetings, and that any special responsibility during that period rested with the weekly committee.

1200. Did Mr. Birch attend at the Bank regularly every day?—I am not aware that he did.

1201. You are not aware that he paid any particular attention to the affairs of the Bank more than any other Government director?—No; he may have paid more particular attention to the accounts. I mean not with regard to the banking transactions, but with the treasury accounts which were in the Bank.

1202. What was your view of the duties of the secretary?—You mean in a financial point of view?

1203. As regards granting advances particularly?—His duty was to receive applications for advances, and to submit them to the board, with certain exceptions. These exceptions, as far as my recollection of the business goes, were that he had a general authority to make advances to a certain amount (I am only speaking from memory) upon Government paper; and he also had a general power, I think, to grant small loans to well known and respectable parties. For instance, if you wish to know what I call a small loan, I should say 15,000 or 20,000 or 25,000 rupees, but beyond that he had no authority whatever that I know of. In confirmation of this I would refer to what I presume the Commissioners have come across, namely, what were called the short minutes. The practice up to September 1863, as far as I am informed, was that Bills and applications for loans were brought to be discounted before the board; but after that the practice, as far as I can

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recollect, was, that, if an application was submitted from a person in whose favour there was not a sort of general sanction to make an advance in the "opinion book," or if he applied for anything beyond that, the secretary submitted in a box which went round to the weekly committee, a memorandum upon which they recorded their authority to grant the loan or not.

1204. Do you know how often those discount minutes went round in 1864?—My roster for this duty occurred only once in every three weeks, I think; I can only recollect that frequently such things did come round whilst I was on the weekly committee.

1205. We have only found about fifteen discount minutes of the year 1864; we have found plenty in 1865.—I can positively assert that the practice was for them to come round.

1206. With regard to the powers of the secretary, you say that you believe that he had power to grant money to a small amount upon Government paper, and to grant small loans of 15,000, 20,000, or 25,000 rupees; will you show us any byelaw or resolution of the board or anything limiting his power in that way?—No, I cannot. I can only refer to the byelaws which existed previously to the passing of the new charter, and the principles of which I always considered in force, unless specially rescinded.

1207. I am bound fairly to tell you that during the time when you were a director things had not got so bad as they afterwards did.—I should wish distinctly, with the permission of the Commissioners, to know whether losses did occur out of any of the loans sanctioned during my time. I am under the impression that none did.

1208. There are two or three, or perhaps more, but I have not looked into the question with reference to your particular time. Are you aware that, shortly after the Act passed, the secretary commenced to grant cash credits upon personal security only to a very large amount?—I am not aware of it.

1209. If you look at this little Blue Book (referring to A 33) you will see that he did. On October the 2nd, 1863, there is Roychund Deepchund one lac, Premchund Roychund one lac, and so on. You will find a great number of those cases during the time that you were a director. Taking it down to the end of May 1864 you will see that a great number of cash credits were granted upon mere personal security.—Yes.

1210. Upon two of those there has been a loss.—Yes.

1211. Were you aware that the secretary was doing that?—I was not.

1212. Are you greatly surprised to find that he exercised that power?—I am surprised; in fact, I would point to the resolution of the 6th of August 1863, as, I think, showing that especial authority was then given, which shows that he had no authority in other respects.

1213. I never asked you any question about that resolution of the 6th August 1863, because I know that you were then at Poona, but, as you have mentioned it, I will read it. "Resolved, that for the present, and until further orders, any application for advances on any Bank shares or other public company other than Government Banks, be submitted to the board, and not granted by the secretary."—Yes.

1214. Is not the inference to be drawn from that, that all other advances were to be made by the secretary without being submitted to the board?—No; I do not see that.

1215. That is the only limitation upon his powers which I have been able to find.—I certainly never was aware that he had such a discretion, or that he exercised it.

1216. You admit that you did not know of these transactions?—I did not.

1217. Ought not those transactions, all of them, to have been included in the application book?—Yes, they ought.

1218. Was not that application book laid on the table at the board meetings?—It was.

1219. Were you in the habit of referring to it?—Yes; I generally used to look over it.

1220. It did not contain those transactions?—I am not aware that it did.

1221. It did not. What is your opinion on those facts; is it that there were cash credits issued which were not entered in the application book?—Yes; that the secretary took an unauthorized power upon himself.

1222. Have you since inquired, or in any way ascertained, by whose order it was that those cash credits were kept out of the application book?—No, I was not aware of it.

1223. Have you not been aware of it since this inquiry begun?—No.

1224. That was one of the first things which we found out. What were the duties of the weekly committee during the time when you were a director?—They were chiefly, or in fact I may say entirely, with regard to the passing of applications for discount.

1225. Did they attend at the Bank?—No, they did not.

1226. How were they consulted?—A memorandum was drawn up by the secretary, stating the nature of the application, and it was put into a small locked box, of which each director had a key, and it came round, and the application was passed or otherwise.

1227. These are the whole of the discount minutes which we can find for the year 1864 (*shewing fifteen to the witness*). The weekly committee, I think, do not seem to have been very active.—It could only be whatever the secretary laid before them; they could not take steps in regard to what they were not aware of, if loans were made without their knowledge.

1228. Were you aware whether at that time, and down to the time when you retired from the direction, they were in the habit of consulting Cowasjee Jehangeer and Premchund Roychund as to discounting bills?—During the period that I was connected with the Bank, Premchund Roychund had nothing whatever to do with it. I am not aware that he was ever consulted. Cowasjee Jehangeer was a director, and the practice was, when natives applied for discount, to consult the native directors, because they were supposed to know more of the position, status, and credit of the natives than the mercantile directors could do; therefore the practice was, in the first place, to ask a native director what he had to say about the application, and, if he reported favourably, it then went on to a mercantile director, and then to the Government director.

1229. Then in point of fact do you undertake to say that Premchund was never consulted?—Not to my knowledge; of course I only speak within my own knowledge.

1230. I believe that you were secretary to the Government at the time when the Kalbadevi branch of the Bank was established?—I should like to know the date of it.

1231. It was in June or July 1864?—Then I must have been.

1232. This is a letter from Mr. Blair to you (marked V 1), and at the back you will see your sanction (marked V 2) for the establishment of the Kalbadevi branch.—Yes.

1233. That is your handwriting, is it not, giving the sanction on the part of the Government?—Yes, and my signature.

1234. Did you take any opinion upon the legality of establishing that branch Bank?—I am sorry to say that I did not.

1235. Did you look at the clause of the Act authorizing the establishment of branch Banks?—No, I do not think that I did at that time; I knew that the Bank had the right, with the sanction of the Government, to establish branches.

1336. Looking at the correspondence, it appears that the directors of the Bank asked for leave to establish a branch in Bombay?—Yes; I am aware, from what occurred here the other day, that they had no legal right to do so.

1237. It was a most unfortunate and disastrous act.—I am sorry to say that it was.

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1238. Nineteen lacs were lost in that branch. Was that proposition laid before the Government at all?—I presume that it was. It probably might have been mentioned in the Council, and have been passed in that way.

1239. You certainly would not have sanctioned it without getting the orders of the Government?—No, I would not.

1240. Here is a précis made on the back of the letter from the secretary of the Bank; what is that for?—Whenever papers came in, a précis was put on the back of them, and upon those papers which were circulated you will see the initial of the member of the Council. Probably that paper might have been received on a day on which they were going to have a meeting of the Council, and I wrote my name upon it.

1241. Did you, or did you not, take the orders of the Government upon that subject?—I think that I must have done so; everything was circulated or laid before the Council.

1242. And you have no doubt in your own mind that it was sanctioned by the Government?—It was reported to them.

1243. Notwithstanding there are no initials?—Yes.

1244. You proposed it in Council?—Yes.

1245. My colleague directs my attention to another point. You put on the back of the document "Bank of Bombay; establishment of branches in the Mofussil." How came that to be put there when it was just the contrary?—It appears that the clerk who made that docket was more accurate than myself.

1246. He could not have called Kalbadevi in the Mofussil?—Of course not. That was the heading for the index.

1247. You were not aware that there was any lending on shares in your time?—I was not.

1248. You were not aware of the practice of lending money for shares to be bought, and then for the shares to be deposited for safe custody?—I was not.

1249. I believe that you lived with Mr. Cassels, did you not?—No, I did not. He lived with me in 1866 or 1867, when he last came to India. Before that we never lived together.

1250. You did not live with him before that?—No.

1251. You did live with him at some time?—Then I did.

1252. I believe that you are a great friend of his?—Yes, I am.

1253. I believe that you had great joint transactions with Mr. Cassels, had you not?—No, I had not.

1254. Have you not had any joint transaction in speculations?—No; but I will be perfectly frank with you. I had allotments given to me of certain shares. Mr. Cassels was good enough to sell these shares for me, and to realize the amounts, and he held the proceeds. He did invest some of that money in shares for me, which I will mention to you. I was called upon by the secretary to bring my Bank account, which I have.

1255. You got allotments of shares?—I did.

1256. Will you kindly tell us what shares you got allotted to you?—I got, in the first place, 150 shares in the Joint Stock Bank Corporation, afterwards called the Asiatic. That was about April 1863. I held those shares for about a year, and parted with them then.

1257. When did you sell them? Look at your banking book, and tell us.—It is not in my banking book.

1258. They were sold by Mr. Cassels for you?—Yes.

1259. In 1864?—In 1864.

1260. Will you kindly point out the item in your book which represents the money which you received for those shares?—It is not in my book. Mr. Cassels realized the proceeds for me, and I left that money in his hands.

1261. What other allotments did you receive?—Perhaps, before answering that question, I may be permitted to state that this allotment of Asiatic Bank

shares was the only allotment which I received whilst I was a director of the Bank of Bombay. I have no wish to withhold any information with regard to my private affairs which the Commission may desire; but it is a fact which I think should be prominently noted, that, whilst I was a director of the Bank of Bombay, with the exception of these shares, I had no allotment.

1262. When did you apply for your allotments in the Financial Association of India and China?—I think that it came out in June; I am not certain; it must have been about May or June 1864.

1263. When did you apply for those allotments?—I cannot recollect the exact date.

1264. Were not the allotments actually made on the 6th of June 1864?—They may have been; it was about that time.

1265. When did you apply for them?—A short time before.

1266. How long before?—It may have been ten days, or it may have been a fortnight; I do not know.

1267. I believe that you received about the same time an allotment of four Back Bay shares?—I received altogether nine Back Bay shares.

1268. You received five in another name?—Yes; five were in Mr. Cassels's name. It was thus:—I was absent from Bombay at the time when the allotments were made; I wrote to Mr. Cassels requesting him to pay the deposit, and to take up the shares for me; in doing so, he thought that it would be advisable for me not to hold the whole nine, but probably to sell some of them; my intention was certainly to hold a portion of these permanently, and to sell a portion of them; as he had no power of attorney from me to act for me, he thought that it would facilitate his disposing of these shares if he took them in his own name, and that he could then part with them if he got my permission to do so. On his writing to tell me that he had done this, I expressed my great regret to him that he had done it; and he then endeavoured to have the shares all put in my name, but he was, I believe, told that the lists had been completed, and that the matter must rest; to prevent however any misunderstanding on the part of any one with regard to that point, I always, when the matter was referred to, stated that I had nine shares.

1269. When did you apply for those Back Bay shares? It is fair to you to say that they were allotted on the 1st of July, after you ceased to be a director of the Bank. When did you apply for them?—I may have applied at the end of May. The Commission have probably got my letter to Mr. Scott. I do not know.

1270. What other shares had you allotted to you about the time? Had you any other allotments during the time, or about the time, that you were a director of the Bank of Bombay?—As you have all the information, you perhaps will be able to tell me which it was; but I had either 30 or 100 Indian Peninsula Bank shares. I forget at this moment.

1271. Had you them in your own name?—I had.

1272. I have looked through the allotment book of that Bank, and I do not remember seeing them.—I think that it was 30; I am not certain; but I will say 100 in case it might be that.

1273. When were they issued?—All these things were issued from June 1864 onwards; I cannot recollect the exact dates.

1274. Are you quite sure that those Indian Peninsula shares were in your own name?—I believe so. I have no distinct recollection about the matter; but I think that I had these 30 shares.

1275. Those were issued about June?—Yes, I think that they were.

1276. Can you say when you applied for those shares?—I cannot. I had no other allotments whatever before leaving India. What I have mentioned were the only allotments which I had. I had 150 Asiatic Bank shares, and 50 or 100 of the Financial Association ——

1277. There were 100 of the Financial Association?—Yes.

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1278. When had you the new issue?—I had none of the new issue. I had also 30 Indian Peninsula shares and the nine Back Bay shares, and after I left India I got some Port Canning shares whilst I was in England, but I made no application for them. My friend Mr. Cassels made application for them.

1279. Twenty Port Canning shares were allotted to you on the 1st of February 1865?—I was in England at the time.

1280. To whom did you apply for the Joint Stock Bank shares?—I made an application in the general way, just as any one else would do.

1281. To whom?—To the promoters; to no one in particular that I recollect.

1282. Do you not know who were the persons who started that company?—Yes, I know who started that company, but I do not recollect whom I addressed. I may have addressed their secretary, or their manager, or whoever it was.

1283. You do not remember through whose influence you obtained those 150 shares?—I suppose that I may have got them through Mr. Scott.

1284. You did not ask any native?—I did not, that I recollect.

1285. You did not ask Premchund Roychund or Cowasjee Jehangeer?—I do not think that I knew Premchund Roychund then. I was not introduced to him until 1864.

1286. How much was paid up on each share?—I think that it was 200 rupees; I am not certain. 120 I think it was first of all. I forget whether it was so, or whether the whole amount was called up.

1287. What did you realize by the sales of those shares?—I realized a profit of 40,000 rupees.

1288. Have you your account with Mr. Cassels here?—No. Mr. Cassels did not render me any memorandum of the transaction until he himself came home in 1865; and before I went out to India in 1866 I destroyed it, with a number of other papers which I was destroying at the time.

1289. You, however, admit that you made a profit of 40,000 rupees?—Yes.

1290. To whom did you apply for your Back Bay shares?—To Mr. Scott.

1291. Through whose influence did you get them?—Through Mr. Scott's, I presume. I am not aware that I had any influence with any one else.

1292. Did you apply to Cowasjee Jehangeer?—No, I did not.

1293. Or to Premchund Roychund?—No, I did not.

1294. What did you realize by the sale of those nine Back Bay shares?—Two were sold for 18,000 rupees premium each, two for 20,000 rupees premium each, three for 23,000 rupees premium each, and two for 25,000 rupees premium each, making a total of 195,000 rupees profit.

1295. You do not know when it was that you applied for those shares?—I think about the end of May.

1296. That is the reason why I wanted to know particularly the date of your resignation.—At that time Back Bay had nothing whatever to do with the Bank of Bombay.

1297. As to the 100 shares in the Financial Association of India and China, to whom did you apply for those shares?—I forget whether I asked Mr. Willis, a member of the firm of Forbes and Company, or whether I made an appli-tion to the manager of the proposed company.

1298. Did you apply to any native?—I did not, most certainly. I applied to no native for any shares.

1299. What was paid up on those shares?—I think that it was 100 rupees a share.

1300. When did you sell those shares?—I do not recollect now, but I sold them at a considerable profit. I do not recollect exactly when I sold them.

1301. Do you know the profit?—Yes, I sold them at 80 per cent. premium, at a profit of about 30,000 rupees.

1302. To whom did you apply for the Indian Peninsula shares?—I applied to the office for an allotment. I may not have had these Indian Peninsula shares, but I have an indistinct recollection that I had them.

1303. I am surprised at your saying that you had them in your own name. —To the best of my recollection I had only 30.

1304. Are you quite certain that they were in your own name?—I am not quite certain now how it was.

1305. Was not Mr. Cassels in the habit of taking shares for you, and putting forward his name?—No; with the exception of the five Back Bay shares, everything stood in my own name.

1306. Did not you enter into any mercantile transactions or speculations of other kinds with Mr. Cassels?—No; Mr. Cassels sold these allotments for me, and realized the amount. I left the money in his hands, to be invested for me, with the object of doing what was best for me, and he invested it. The first thing was in buying Bank of Bengal shares. I think that I bought ten altogether, and ten new ones were allotted. I held these shares till May 1866, when I instructed the Oriental Bank's manager in London (I was in England at the time) to dispose of them, and very unfortunately for me to remit the amount to Bombay, and to put it into Bombay Bank shares instead.

1307. I ask you, did not Mr. Cassels invest money for you in mercantile or other speculations?—He invested it in shares.

1308. Any other shares besides these?—I will presently tell you. He bought 190 Asiatic Bank shares for me and 130 Financials——

1309. What Financial Company was that?—The Financial of India and China. He also bought some Bombay Bank shares, most of which I hold to the present day. Besides that I had no other transactions.

1310. Premchund Roychund told us, "I think Mr. A. D. Robertson and Mr. Cassels must have had joint transactions. Mr. A. D. Robertson bought and sold shares."—None, except what I have mentioned to you; those are the only shares which I have bought.

1311. Are you quite sure that you have never entered into any joint transactions and speculations with Mr. Cassels?—No other.

1312. He has done nothing more for you than invest this money in the way which you have mentioned?—Nothing; the 190 Asiatic Bank shares and the 130 Financials he afterwards disposed of, and the money went into the Bank of Bombay.

1313. Perhaps you will be able to explain to me some of the items in your account with the Bank of Bombay. Were not you in debt to the Bank of Bombay in the first part of the year 1863?—Yes.

1314. And you got right with the Bank about May of that year?—Yes.

1315. On the 29th September 1863 you discounted a bill?—Yes; for 14,000 rupees. On the opposite side of my account you will find that I made a payment of 10,000 rupees to the Oriental Bank; it was to meet that; a bill had been drawn upon me from England, which I had to meet at that time through the Oriental Bank.

1316. On the 5th of February 1864 there is the following entry:—"Received from Peel, Cassels, and Co., 17,498 Rs." ?—Yes, on the 5th of February 1864. I have a little pencil note written against this entry in my pass book at the time, "Balance of mother's remittance." With reference to this, I would explain that a part of my father's estate was in Bombay Bank shares. As executrix to the estate, my mother became entitled to take up 55 new shares, and she made a remittance to me of a part of this money, to take up these 55 shares on account of the estate, and this is a part of that money, the rest I found in India.

1317. How did you receive it from Peel, Cassels, and Company?—I must have got a draft, which Mr. Cassels realised for me, and paid in. When I

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received a bill of that sort, I gave the bill to him, and he realised it and paid it over to the Bank.

1318. You got that money sent in?—Yes.

1319. Was it for investment?—It was to take up the 55 new shares to which the estate was entitled.

1320. It was for investment in Bank of Bombay shares?—Yes.

1321, On the 15th of February I find you received 9,000 rupees. I exclude from this account your salary, and all sums under 1,000 rupees.—Against this 9,000 rupees you will see the initials "W. W. R." in my pass book (*shewing it to the President.*) My brother remitted another 9,000 rupees for my mother towards the amount. The fact is that she told him that if he could take up some of these shares himself he might have them.

1322. On the same day there is 1,240 rupees; what is that?—I do not know; it was some small payment; I cannot say what it was.

1323. The next item is on the 16th of February; "Received 7,500 rupees. —That I cannot recollect; that I think was also a remittance. You will observe that on the 16th of February, on the other side of my account, I paid over 24,000 rupees to the Oriental Bank, and it was on account of Bombay Bank shares, which another brother asked me to purchase for him, and those 7,500 rupees are a part of the money which was received on that date, as far as I can recollect, by putting the one side of the account with the other, towards the 24,000 rupees which I paid over to the Oriental Bank.

1324. Which brother was it?—J. W. Robertson. I will show you my check book file for February 1864. Here it is; "24,000 rupees for J. W. R. and W. W. R."

1325. On the 26th of March there is 3,320 rupees.—I do not recollect what that is. I see it here. I have nothing in the book which explains it.

1326. You cannot explain that?—No, I do not remember what it is.

1327. On the 23rd of April: "by Bill discounted." We have looked at that, and find that it is a promissory note of yourself and brother, 15,573 rupees. —Yes.

1328. What is that transaction?—At that time I was going to buy the Bengal Bank shares, and I asked the secretary or agent of the Agra Bank to purchase them in Calcutta, through his agent. He wished a deposit to be placed, so that, if I withdrew, there might be something to fall back upon. I had this sum of money, and on the 4th May I paid 10,000 rupees to the Agra Bank.

1329. Why did you not get that amount from Mr. Cassels, he had the money?—No; he had not realized my Joint Stock Bank shares then.

1330. He realized in that very month?—No; he realized in May.

1331. You bought those shares in April?—Yes. I knew that this amount was to be realized, and it was a temporary arrangement which I entered into.

1332. I suppose that we can get this account from Mr. Cassels, to confirm this statement?—I do not believe that he has kept a copy of the account. I did not deal with him, nor did he deal with me, as men of business, but as a mere matter of one friend acting for another. He gave me a memorandum in 1865, when he came home, showing the amount which he had realized for these shares, and the payments which he had made on account.

1333. Have you asked Mr. Cassels whether he has any account of these transactions.—Yes; because I have asked him to assist my memory with regard to the premiums which I got.

1334. Does he tell you that there is no account?—There is no account. He said, "This is a rough draft" (in 1865) "of the account;" and I can almost swear that he told me that he had no copy of it then; it was on a sheet of overland paper.

1335. On the 29th of June there is this entry: "By cheque, 5000 rupees." What is that?—I do not know what that is; I have tried to recollect it, but I do not recollect it at this time; it may have been 5000 rupees which Mr. Cassels gave me, or something of the sort; I wanted the money. I do not know what it is.

1336. How did you pay for the Back Bay shares?—Mr. Cassels paid for them; he had the proceeds of the Joint Stock Bank shares in his possession at the time.

1337. Then there are two receipts of 10,770 rupees and 10,700 rupees on the 28th of September 1864?—That was a bill on Ritchie, Stewart, and Co., I think; it was in connection with taking up the second allotment of Bombay Bank shares for the estate. That money came out to me just as I was starting for England; and I paid up the money in advance to the Bank of Bombay for the second issue of shares to my mother.

1338. There are two sums?—There must have been two bills; there are two entries.

1339. How did you apply these sums?—I paid them into the Bank of Bombay; they were carried to the deposit account of the Bank of Bombay for new shares; the new share account.

1340. Were they carried to the deposit account of the estate?—It was for my mother's shares. On the 5th of October 1864 you will see debited at the bottom of the account a payment of 55,000 rupees, which is entered "New Capital of Mrs. Robertson."

1341. Then there is a further sum received from Peel, Cassels, and Company, 40,000 rupees; what is that?—It was towards meeting that payment; it was part of the money which Mr. Cassels had in his hands. I had to advance; I had not received sufficient money from home; I had only received about 20,000 rupees, and it was about 35,000 short, because there were 55 shares.

1342. How did you raise the money from Peel, Cassels, and Company?—I got Mr. Cassels to pay some of the money which he had realized on my account, and I lent it to my mother.

1343. 40,000 rupees was lent out of that money?—Yes; that was on the 3rd of October, and the 55,000 rupees went to new capital on the 5th of October. I wish to say that I am one of the greatest losers by the Bank of Bombay.

1344. How many shares have you in the Bank of Bombay?—200.

1345. Were not you at all in the habit of trafficking in shares; buying and selling?—I had no other transactions but those which I have detailed.

1346. You never employed any other person than Mr. Cassels to buy and sell?—No. I have omitted one transaction, which has just occurred to me. I bought 500 shares in the Bank of China about August 1864. I held those shares until two months ago, when, having left India, and the Bank being in liquidation, I wrote out to the Oriental Bank to sell them off. I took them up as an investment, but the Bank never came to anything, and I held on till the other day.

1347. (*Mr. Maxwell Melvill.*) With respect to the Kalbadevi Branch, the letter from the Bank is dated the 16th of June 1864?—Yes.

1348. And the Resolution of the Government is dated the 25th of June 1864?—You must not take that date as the date when it was passed by the Government, because it went to the printing press, and might have been delayed there for some time. That was the date when it was issued from the office.

1349. Can you explain how it was that the Kalbadevi Branch was opened on the 20th of June by Mr. Blair, and gazetted on the 23rd? Had you given him any authority for that?—He must have had a semi-official authority.

1350. That was before the resolution?—It was probably a mere matter of printing delay.

1351. Then you think that he had authority for opening that branch on the 20th June 1864?—He must have had it.

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1352. (*President.*) Did you consider it a portion of your duty to report to the Bombay Government any course taken by the directors which in your opinion tended to injure the shareholders?—If any such course had been adopted, I should have considered it a part of my duty to report it.

1353. Was not the Bank Act detained at the India Office without any notice being taken of it, and subsequently was not the Act passed at Bombay without any despatch having been received by the Bombay Government from the Secretary of State for India?—It was. The Draft Act went home on the 12th of May 1862, and the Bill was introduced into the Legislative Council in February 1863. Up to that time we received no reply from the Home Government to our letter forwarding the draft.

1354. The question is, was not the Act subsequently passed at Bombay without any despatch having been received?—It was.

1355. Did it subsequently receive the assent of the Secretary of State?—It did.

1356. What did you consider to be the particular duties of the Government directors?—Our duties were, on behalf of the Government, to see that the charter was not infringed.

1357. Was not it their duty to bring to the notice of the Bombay Government any infringement by the directors of the charter, or any action on their part which might be considered detrimental to the interests of the Bank?—Yes.

1358. Was not it your duty to have discovered that loans were made by the Secretary, and that cash credits were granted by him without security?—I must give a general answer to that question. I did not look into the detailed accounts of the Bank, I relied upon the Application Book containing all the information necessary for us to know.

1359. Did the Secretary submit weekly or monthly to the board or to the weekly committee a statement of all loans?—I do not recollect at the present moment. I do not remember that he did.

HERBERT EDWARD JACOMB sworn, and examined.

Mr. H. E. Jacomb.

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1360. (*President.*) When were you appointed a Government director of the Bank of Bombay?—On the 8th June 1864.

1361. Mr. Archibald Robertson was your predecessor?—Yes.

1362. Your first sitting at the board was on the 9th of June 1864, I think.—Possibly; I have not the date.

1363. Do you recollect the date of your last sitting?—I believe that I was gazetted out on the 28th of September 1864. I do not know.

1364. The 22nd of September was the last date which we find, so that you were only about three and a half months a director?—Yes.

1365. Did you attend the board regularly?—Yes; I think that I missed once.

1366. Did you know how the business of the Bank was carried on?—There was an "Application Book" put on the table, but I cannot say whether all the loans which were granted were entered in that "Application Book." No loans were brought before the board during my tenure of office.

1367. By which you mean, I suppose, no advances of any kind?—No advances. The "Application Book" was brought on the week afterwards; that was after the transaction.

1368. By whom then were applications for advances, either by way of discount, cash credit, or fixed loan, considered?—I presumed at the time that they were considered by the Accountant General and the secretary of the Bank.

1369. By "the Accountant General' you mean the Chairman?—Yes; but I had no distinct grounds for my presumption. I was a new-comer and a junior, and not likely to know anything about the solvency of applicants. They probably held it in their own hands, and more especially because I think the Accountant General was placed on the list of directors for the week each time, whereas my rotation perhaps was only twice during the whole period.

1370. Did you ever interfere as to the advances?—No. I believed that the loans were given solely on Government paper; because before I went into the Bank I wanted an advance myself, and I asked the question, and I was told that the only security on which an advance would be given was Government paper. I believe that the discounts were given on two names, the drawer and the acceptor; and the cash credits I certainly had reason to suppose were granted on promissory notes in very exceptional cases, at least I supposed that they were in exceptional cases, and to approved parties for legitimate purposes.

1371. Did you understand that cash credits were granted upon personal security only?—I did understand that certain cash credits were so granted occasionally, but only as an exception; and if there had been any doubt about it I should have supposed that collateral security would have been taken in the shape of shipping documents or otherwise.

1372. Were you aware of the practice as to discounts of taking promissory notes in a single name?—No, not as to discounts.

1373. You were not aware as to the granting of cash credits upon a single name?—No.

1374. Or loans?—No; I thought that they were all on Government paper, and I think that the heading of the loan statement was, "Government paper or bullion."

1375. You say that you never interfered as to those discounts in any questions of credit?—Never; they were never discussed at the board at all.

1376. Did you ever attend at the Bank on any other days than board days?—On one occasion, when the capital of the Bank was increased, I was present; but I had no authority from the Government to be present. It was simply because, either before or immediately afterwards, there was a meeting of the directors, and I sat in the room.

1377. You had no power to vote?—I had no power to vote on the part of the Government.

1378. I suppose that you were more or less incompetent to decide upon questions of credit?—Quite so; and I can only say now that I do not think that I ought to have accepted the appointment.

1379. Were not any loans ever brought before you?—Not one.

1380. I will just ask you as to two which were made in your time. On the 31st of August 1864, when you had been about two months a director, there were 20 lacs lent to Kursondass Madhowdass, Mayabhoy Premabhoy, and Muggonbhoy Huttising?—I do not know about that. I heard the other day, when I was in the room, that it had been done, and I had seen it from the Bank records; but if I had knowingly passed it I should have said that I was conniving at robbery.

1381. I will give you another case; namely, that of Rustonjee Jamsetjee Jejeebhoy and his brother Sorabjee. On the 14th of July 1864, a little over a month after your taking your seat, Sorabjee had five lacs on a mere promissory note.—I knew nothing about it at the time. I have seen it since, in a statement which I got from the Bank of Bombay before I left Bombay.

1382. Was not it your duty to know of those transactions?—I relied upon the secretary and the Accountant General. I knew very little of individuals in Bombay. I had never been in Bombay before the month of April 1864, so that I could not possibly know anything about the names of the individuals, and I thought that all that I had to do was to see that the charter was not infringed.

1383. Then did you think that the question of credit was entirely beyond your province?—No, not exactly so; but beyond my competency.

1384. You did not think that you were qualified to discuss such questions?—I did not think that I was qualified. I thought that there were better opinions than my own.

1385. From what you have said, I apprehend that you do not think that that was good banking?—Certainly not.

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1386. I believe that you have received allotments of shares?—Do you mean before my connection with the Bank, or during it, or afterwards?

1387. First of all, will you state what allotments you have received?—May I only answer with reference to the period previous to my connection with the Bank and during my connection with it?

1388. Will you state the whole of it?—The first allotment which I received was of 50 Indian Peninsula Bank shares.

1389. When did you get them?—I do not know the date. I banked with the Bank of India at that time. I do not think that I have the dates. I may have them in Bombay, but I certainly have not got them here.

1390. You got those shares at the time when you were a director of the Bank?—I did.

1391. To whom did you apply for those shares?—They were got for me by Mr. Sands and Mr. Bevis. They were two friends of mine.

1392. Those shares were at a premium at that time?—Yes.

1393. What did you sell them for?—I do not know what I sold them for. I made 3,000 rupees, I think, on the transaction.

1394. What other shares were allotted to you?—I had Port Canning shares afterwards.

1395. On the 1st of February 1865?—That was long after my connection with the Bank.

1396. You had one Port Canning share?—I had one and a half. A relative of mine had another.

1397. Was not there some other allotment besides that?—I had no other allotment individually.

1398. But collectively?—If you wish to ask me any question as to my relative's transactions, I can tell you. I had some Indo-Egyptian Bank shares, and I had some Brick and Tile shares.

1399. They were allotments?—Yes.

1400. When were they allotted?—I do not know the dates, but they were certainly after my connection with the Bank had ceased. I think that the Indo-Egyptian Bank shares were allotted in 1865.

1401. We have not heard of the Brick and Tile company before. It is new, and there is very little novelty left for us now. Will you tell us something about this Brick and Tile company?—It was a company brought out by the Financial Association of India and China. It was not what was called, I think, the Victoria Brick and Tile Company, but another.

1402. How many shares did you receive in it?—Ten, I think.

1403. Were not they bought in the autumn of 1864?—I was under the impression that it was in October, or after. It was certainly not during my connection with the Bank.

1404. How many shares had you in the Indo-Egyptian Bank?—Ten, I think.

1405. When were they allotted?—Very late; probably well on in 1865; I mean to say, well on in that part of the season.

1406. To whom did you apply for those shares?—I cannot say now. I know who was the promoter of the company, but I really do not know to whom I applied. I should think that I applied when it was brought out. Mr. Lewis, the late Advocate General, was the promoter of the company.

1407. Did you sell those shares?—I did.

1408. At a premium?—Yes; at a small premium; 200 rupees.

1409. Had you any other shares?—I told you in my letter (Exhibit W.) what I purchased.

1410. I observe that you said that you had purchased ten shares in the Financial Association of India and China. When did you purchase them?—That, I believe, was done at the time when I was a director, and I said so in that letter.

1411. When did you sell them?—I sold them almost immediately. *Mr. H. E. Jacomb.*

1412. You made a profit, I suppose?—I made a profit. It was after I had had the 3,000 rupees from the Indian Peninsula Bank shares that I bought a few shares in the Financial Association, and I sold them. 13th Nov. 1868.

1413. You also purchased 20 shares in the Bank of India while you were a director of the Bank of Bombay?—I will not be certain that it was twenty. I have put that number in that letter as the outside figure.

1414. When did you purchase them?—I have put it in that letter, but I would not be positive that it was during my time of office. Without the actual dates it is rather difficult to remember a transaction four years back with precise accuracy.

1415. Did you sell them at a profit?—No; I bought them at a heavy premium. They were going down, and I got frightened, and sold.

1416. You did not make a profit by that transaction?—I did not.

1417. How came you not to mention in this letter those other allotments which you received?—I distinctly stated in that letter that it was during and previous to my connection with the Bank.

1418. You did not mention anything about the other allotments?—I think that you will find that the other allotments were not during that time.

1419. Did you buy or sell any other shares during the time that you were a director?—Not during the time that I was a director.

1420. Did you buy or sell shares shortly before or shortly after you were a director?—Certainly not shortly before. I had not a single share transaction before I was a director; afterwards, in 1865, I probably had share transactions.

1421. I suppose that you were aware of the Government orders discouraging speculations in shares?—I considered speculation to mean speculation out of my depth. My transactions were very trifling ones; they never involved more than 2000 or 3000 rupees at the outside; so that I could not consider them speculations, because I could always cover them.

1422. Do the Government orders say anything about the Government servants speculating out of their depth?—I was not aware of any order against taking shares.

1423. (*Mr. Maxwell Melvill.*)—You have said that applications for discount never came before the board in your time; were not they referred to you as a member of the weekly committee?—As a member of the weekly committee all that came to me were shares, transfers, and any questions about the employés of the Bank.

1424. In your time there seem to have been one or two applications for discount; none ever came to you?—Nothing of the kind.

EDWARD WILLIAM RAVENSCROFT sworn, and examined.

1425. (*President.*) I believe you are a member of the Bombay Civil Service?—I am. *Mr. E. W. Ravenscroft.*

1426. I believe you were Acting Secretary to the Government of Bombay in the Revenue Department in the years 1864 and 1865?—I was at the close of 1864, and for the first two months of 1865. 13th Nov. 1868.

1427. When were you appointed?—I think at either the end of September or the beginning of October 1864.

1428. Were you in Bombay before then?—I was in Bombay from February 1864, having previously served up country.

1429. What appointment did you hold in February 1864?—I was Inspector in Chief of the Cotton Department, to prevent frauds in the mixture of cotton.

1430. Since February 1864?—Yes.

1431. When were you appointed Commissioner to consider applications from promoters of schemes for reclaiming portions of the foreshore of the

Mr. E.W.Ravenscroft.

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Island of Bombay ?—I think that it must have been either in November or December 1864.

1432. Was not it the 2nd of December, 1864 ?—It may have been.

1433. When were you appointed a Government director of the Bank of Bombay ?—Shortly after I was appointed Revenue Secretary.

1434. I find that your first sitting at the board was on the 6th of October 1864 ?—Yes, I think that that was the first day that I sat.

1435. Do you remember the last day when you sat ?—The 23rd of February 1865.

1436. When did you leave India ?—On the morning of the 1st of March.

1437. Did you attend the board regularly ?—I did not the first two months that I was a director, because the Governor was absent, and it was my business occasionally to go to him, and it happened that once or twice my visits took place on the day that the board sat. The Governor was at Matheran and Poona during that period.

1438. You were a director little more than four months ?—Yes.

1439. And during a good portion of that time you were absent in attendance upon the Governor, you say ?—I had to go up and return in the evening, and it so happened that on those days the board sat.

1440. Did you attend the board meetings pretty regularly, except on those days ?—I did not attend very regularly. I did so as regularly as my other duties permitted me to do.

1441. Did you attend on any other days than board days ?—Never.

1442. Did any applications for discounts, cash credits, or loans, come before you ?—No applications of that sort were made to the board.

1443. Were you consulted personally with respect to any such applications ? I was never consulted. There was one application which came before the board, I remember.

1444. Only one ?—Only one.

1445. What case was that ?—I forget the name of the man. A man wanted a loan on personal security, and gave as his security the name of an officer in Bombay ; and immediately the proposition came before the board, I said that it was preposterous ; that loans of that sort were never made by the Bank ; and his application was immediately rejected.

1446. Was it some officer who applied ?—I believe that it was an officer of the Bank, giving the security of a gentleman holding a judicial appointment in Bombay.

1447. But no other case was ever brought before the board while you were there ?—No other case was brought before the board while I was there.

1448. Were you ever applied to individually upon questions of credit ?—Never.

1449. Had you opportunities of observing how the business of the Bank was conducted when you were there ?—I did my best to ascertain how the business was conducted.

1450. What did the Chairman do ?—The Chairman presided at our meetings.

1451. Did he do anything else ?—I am not aware of what he did, except on those occasions, from my own personal knowledge.

1452. You did not remark that he interfered much, or at all ?—He presided at our proceedings.

1453. But in other matters he did not interfere ?—No, not that I am aware of.

1454. What were the powers of the secretary ?—The powers of the secretary, as far I understood them, were to advance to a certain extent on the securities which were laid down in the law by which we acted.

1455. Did you find that he was doing that ?—I understood that he was doing it. May I be allowed to see the "Application Book ?"

1456. Yes. (*The book was handed to the witness.*) How came you to think that the secretary's powers were limited to a small amount?—I do not exactly remember how the matter arose, but I remember that I was asked to sign the monthly abstract of liabilities and assets which was returned by the Bombay Bank to the Bombay Government. There are different headings. I was asked to sign this document, and I made some inquiries about it.

1457. I ask you how you came to know that the powers of the secretary were limited?—I am going to answer that question. I understood from the secretary that the loans which he made were entered in this book, and the cash credits which he granted, and that, as long as he kept within the letter of the law, he was authorized to advance the money on the securities which the law laid down.

1458. What securities did you think that the law laid down, on which he should advance money?—The securities which I saw entered in the application book which I have before me.

1459. Did you labour under the impression that after 1863 he could only lend money on Government paper and bullion and guaranteed railway shares?—The abstract returned to the Government, so far as I understood it, distinctly laid down that money could only be advanced on securities.

1460. This is a copy of the monthly return (*handing exhibit A 25[4] to the witness*). Just look at the head of "securities;" that is what you mean?—Yes. I mean to say that from that document I inferred that no loans were made except on fixed securities; certainly not on personal security, or cash credits without security.

1461. You thought that it was on deposit of Government security, or deposit of other description of security?—It left the impression on my mind connected with this book that the whole of the loans and cash credits which were granted during the time while I was on the board were either on bullion or Government security, or the deposit of security of other kinds, such as are mentioned there.

1462. What you mean is, that, if there were any loans on personal security, there ought to have been another heading there for them?—Just so; and another proof that loans were not made on personal security was, that when an application was made for a loan on personal security they brought it before the board, and we instantly, without a moment's hesitation, rejected it, and, as far as I remember, censured the secretary for doing so.

1463. When was that?—In November 1864, and it is in the minute book. (*The witness referred to the minute book.*)

1464. Have you seen it in the minutes yourself?—I do not remember having seen it; but I am perfectly positive that the thing occurred; it certainly occurred, because I remember the names of the people.

1465. Can you give us the names?—I can give you the name of the person who was offered as surety.

1466. What was his name?—It was the chief magistrate of police in Bombay; a naval man.

1467. Oliver?—Oliver; and I perfectly remember that it was entered in the book.

1468. Am I really to understand that you were quite ignorant of the fact, that they were lending money on cash credits, loans, and discounts, upon the mere personal security of the borrower or borrowers?—Most distinctly.

1469. During the whole time that you were upon the direction?—During the whole time that I was upon the direction I had no idea that any loan or cash credit was granted, except upon the deposit of security for about the amount of the loan.

1470. You mean Government security?—Not only Government security.

1471. Or guaranteed railway shares?—Or shares in a Bank. Here is a Commercial Bank receipt referred to.

1472. That is a fixed deposit receipt; that is quite another thing from a share. A fixed deposit receipt is where a man has got a fixed deposit with a Bank,

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and cannot draw out the money, because he has promised to give fourteen days notice, or something of that kind. He could go to the Bank of Bombay, and give that deposit receipt as security; it would be a good security; that is not an advance on shares. No loan upon shares was entered in that application book till after April 1865—My impression was that the loans and cash credits were invariably secured by the security which is entered in this book.

1473. Then you did not know that they were advancing upon the shares of companies?—I had a sort of idea that shares were taken and entered in this book, but I did not examine this book minutely. I observed that it appeared to be in form.

1474. Did you ever look at the "daily book," and see what large sums of money were going out?—Yes; the "daily book" was sent to me every day, I believe, or something or other by which we could see what was going on.

1475. This is one of the "daily books;" it would show you the amount which had gone out in bills, and so on. Did you ever make an inquiry as to that?—I saw daily that there was a large difference, and I presumed that the Bank was doing a large business, and, with the exception of discounts, I presumed that they were all advances upon securities.

1476. Were you wholly ignorant that the Bank was then advancing upon no security at all other than a promissory note, or advancing upon shares?—I was entirely ignorant of that; and in proof of that assertion I say that the one loan which I have mentioned came before the board, and we immediately negatived it, and I believe censured the secretary for presuming that we should advance money except in the usual way; and that I know is here (*referring to the minute book*), but I cannot find it.

1477. Will you kindly tell us who it was that censured the secretary?—I believe that I did so myself.

1478. Did he laugh at it?—He generally used to laugh whenever he was spoken to; but I do not know that he laughed particularly on that occasion. I do not mean to say that he laughed offensively, but he had a way of laughing.

1479. With respect to this return, are you aware that the form of it was subsequently altered?—When I returned to Bombay in 1867 I had occasion to look at those returns, and I saw in the return of January 1867 that a marginal note stated that one of those columns included advances upon personal security, and that made me go a little into the matter, and it is from that that I have been able to tell you what I have told you.

1480. Then I am to understand that you were positively deceived by the form of the "application book"?— Certainly; and not only that, but I involuntarily deceived Sir Bartle Frere.

1481. How do you mean?—In February, shortly before I left India, he said to me, when I was with him on business, "I hope the Bank is going on satisfactorily," or some words to that effect, and I said, "To the best of my belief it is, Sir."

1482. Did you ever sign this monthly return?—Never; I refused to sign it.

1483. Did you assign any reason for refusing to sign that monthly return?—I told the secretary that I did not like to sign that document until he would furnish me with a list showing the securities upon which the advances had been made.

1484. Did he do so?—He said that he would do so, but he did not, and therefore I did not sign the return.

1485. Did you ever object to it to any of your brother directors?— No. This matter did not come before any of the other directors, so far as I was concerned; it was simply a matter between the secretary and myself.

1486. Then I am to understand that the secretary did not give you information as to the securities upon which the money was advanced, though you asked for it?—I happened to go rather late one day to the meeting, after the directors had left. This document must be signed by three directors. I saw

the names of two directors on it, and the secretary said, "Will you sign this?" I said "What is it?" I looked at it, and said, "I want to know about these securities; can you give me a list showing what they are, because otherwise it is rather an important paper to sign?" He said, "It will take some time;" and I also understood him to say, "Here are the securities." There were a lot of books upon the table. I said, "I cannot do it; I must have a regular list." He said that he would furnish it, but he did not furnish it, and I could not wait; and it so happened that I never did sign that return during the whole time that I was at the board.

1487. I wish that everybody had been as careful in that respect as yourself. Were you aware that Mr. Birch was receiving allotments on shares during the time that you were a director?—I was not personally aware that he was.

1488. Did you know it? How do you mean, that you were not "personally aware?"—I cannot personally say that he received allotments of shares, because he did not tell me that he did, nor did I see him receive them.

1489. Were you aware that Mr. Blair and Mr. Robertson and the other officers of the Bank were receiving allotments of shares?—No; I knew nothing about the officers of the Bank.

1490. You do not speak so confidently as to Mr. Birch?—I, of course, saw the newspapers of Bombay, and in some of them a gossip was mentioned that he had taken them; but whether it was true or not I had no means of judging, and I did not consider it my business to interfere.

1491. I believe that you addressed this letter (Exhibit X.) to the Commissioners (*handing a letter to the witness*)?—I did. At that time I was not under the impression that the Commissioners were coming to England, otherwise I should have reserved what I had to say until they came.

1492. I believe that you received allotments; did you not?—I received no allotments from any one in Bombay during the time that I was on the direction, or that I was Secretary to the Government.

1493. Is that so?—Certainly.

1494. Did not you receive two Back Bay shares on the 1st of July 1864? you were then in the service of the Bombay Government—I say while I was Secretary to the Government, or in the Bank of Bombay. I received an allotment of two Back Bay shares, but that was nearly four months before I was on the direction of the Bank of Bombay.

1495. To whom did you apply for those shares?—I applied to the promoters.

1496. From whom did you obtain them?—I obtained them from the promoters.

1497. You did not apply to any particular promoter?—Not that I remember.

1498. Did you hold those shares whilst you were a director?—No, I did not.

1499. Did you sell them immediately?—I handed them over immediately to my agents, Forbes and Company, and they held them, I believe, for about a fortnight, till a panic arose, and sold them for me.

1500. Did not they sell them at a very high premium?—They did.

1501. You received no other allotments than those?—No; I was in no scheme connected with Bombay.

1502. You received one Port Canning share on the 1st of February 1865?—I did.

1503. And you were also interested in some Bengal Bank?—I was.

1504. But you had no shares in anything in Bombay?—No, certainly not. There is one exception; the day before I left India I purchased a Colaba Land share.

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1505. With respect to the Port Canning share which you got allotted when you were a director, was not that an effete speculation in Calcutta, and was not it brought round by Mr. Schiller, and started afresh in Bombay, under the auspices of three or four gentlemen in Bombay, and were not fresh allotments made of shares?—No, certainly not.

1506. Are you quite sure of that?—Perfectly certain.

1507. Are you certain that fresh allotments were not made on the 1st of February 1865?—It was the first allotment which I received. I do not exactly understand your question.

1508. Was not it a new issue of shares started in Bombay, the scheme being taken up by some parties there?—No; nothing of the sort; the Port Canning scheme was brought out in Calcutta.

1509. Several years before?—No; at the time, in January 1865.

1510. It was brought out in Calcutta long before I left India—But I do not think that the articles of association were signed and a regular company formed.

1511. Yes; and it was almost stillborn there, and then it was brought round to Bombay by Mr. Schiller, and he got two or three enterprising persons to take up the scheme, and they issued a new allotment of shares, of which you received one—I do not think that that is a correct explanation of the matter. The scheme was brought out in Calcutta; it was to cost two millions; they had not sufficient money there to float it, and therefore they brought some shares to Bombay to give the Bombay people an opportunity of taking them.

1512. There was a fresh allotment in Bombay on the 1st of February 1865—Not that I understand, but a portion of the shares were allotted in Bombay.

1513. I believe that you did not receive any shares in the Financial Association of India and China?—No; I had no other shares of any kind, so far as I remember, except those which I have mentioned.

1514. Did you buy or sell any shares?—No; with the exception of the Colaba Land Company's share.

(*President to Mr. Le Mesurier.*) Have you any question to put?

(*Mr. Le Mesurier.*) No, Sir.

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HENRY ALBERT MANGLES sworn, and examined.

1515. (*President.*) I believe that you are in the Bengal Civil Service?—I am.

1516. You are employed in the Financial Department under the Government of India?—I am.

1517. You lately held some appointment in Bombay?—I held the appointment of Civil Paymaster.

1518. When were you appointed a Government director of the Bank of Bombay?—Early in 1864.

1519. Your first sitting at the board was, I think, on the 4th of February 1864; was it not?—Very likely. I do not remember the exact date; it was immediately after I was appointed.

1520. What was the date of your last sitting?—It was at the last meeting prior to the 1st of April 1865.

1521. It was on the 30th of March 1865?—Yes.

1522. That is a most eventful period. You were a director during almost all the time when the mischief occurred, namely, from the 1st of June 1864 to the 1st of May 1865. Did you attend regularly at the board?—Yes, very regularly.

1523. Did you attend at the Bank on other days than board days?—No; never that I remember. I was away from Bombay on leave from the 1st of February 1865 till the 7th of March 1865.

1524. Did you ever act as a member of the weekly committee ?—I do not remember it.

1525. I think that your name so appears ?—I may have been there.

1526. (*President, reading from the minutes.*) "Directors for the next week, H. A. Mangles" and others; and there is also the same entry afterwards—Yes; I rather meant to say that as a member of the weekly committee I do not remember ever going to the Bank or taking part in the business.

1527. So far as the weekly committee was concerned, there were no active duties that you are aware of?—None, that I am aware of.

1528. No case of discount, cash credit, or loan was referred to you as a member of the weekly committee ?—I do not remember any.

1529. Were you ever consulted otherwise as to cash credits, or discounts, or loans ?—No; I do not remember being consulted. I took objection once to some business which they were doing, which I discovered accidentally.

1530. What was it ?—I was told in the middle of 1864 that the Bank was advancing on promissory notes, and at the next meeting of the Board I looked at the "application book" and I found that an advance of 30,000 rupees had been made to the gentleman who had mentioned it to me, and without any security having been taken.

1531. Will you point that out in the "application book" ?—I forget the month.

1532. Was it on personal security ?—It was merely on a promisory note.

1533. You will not find it entered in the "application book;" you might find it in the register of bills discounted—I found in the book a column headed "on what security," and under that there was nothing but a dash of the pen.

1534. That "application book" refers to cash credits and loans only—If I remember rightly it was the other book, because there was a column headed "security on which granted."

1535. (*Mr. Melvill.*) What is the name of the borrower ?—Mr. Bevis. (*The register of bills discounted was handed to the witness.*)—Here is the entry, on May the 10th, 1864, but it is for 60,000 rupees. My impression was that it was for 30,000 rupees; but I will not be sure about the figure.

1536. (*President.*) Is that it ?—Very likely.

1537. What took place ? You say that you objected ?—I found it there when I got to the Bank. After reaching home I wrote a letter to the secretary, and asked him whether he was in the habit of discounting promissory notes only, as it seemed to me to be a violation of the charter. He wrote back, saying that it was a hard term to use, but that the board of directors considered that they could do it under the charter. I then wrote a private note to Mr. A. D. Robertson, who was then one of the directors, and he said that he thought that it could be done under the charter. I then went to Mr. Birch, and asked him whether he was aware of it, and he said that he was; and I asked under what clause of the charter it could be done. He said, as a cash credit. I said that I did not agree with him.

1538. Are you quite sure that he said that it could be called a cash credit ?—I am positive. I then wrote to Mr. Lidderdale, and asked him whether, as a mercantile man he could conscientiously sanction that kind of cash credit. He wrote back and said, No, certainly not, but that it was the custom of the Bank to discount bills of that sort.

1539. Under the term "negotiable security." If it had been under the old charter you could not have done it, but the new Act let in all this sort of thing. Did you, at any other time, object to advances on personal security ?—No; never, that I remember. I never heard of it again.

1540. I believe that you were a director when the last two increases of capital were made ?—I was.

1541. Do you think that those were wise and prudent measures ?—I thought that the first was.

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1542. You mean the first before you became a director?—Yes; the latter I thought was unnecessary; but the matter was discussed at the board, and the majority of the mercantile men, who had much better means of forming an opinion, seemed to think that it was necessary, and so I made no objection.

1543. You deferred to the commercial directors?—Yes.

1544. Was it your habit to do so?—Yes; always in a matter of that kind, or in the matter of the credit of individuals.

1545. What was the date of that discovery of yours which you have mentioned?—The 10th of May 1864, or a few days subsequently.

1546. Was it in consequence of that discovery that the resolution of the 2nd of June 1864 was come to? Do you recollect it? (*Handing the minute book to the witness.*) I see that you were present on that day. It is with regard to the Scotch system of cash credits?—Yes; I remember that resolution being passed.

1547. Were you aware that cash credits were granted on personal security before that?—No, never.

1548. You thought that that was a resolution authorizing, for the first time, cash credits to be granted on personal security?—Yes.

1549. Would you be very much surprised if I showed you a long list of cash credits granted upon personal security before that date?—Yes, very much.

1550. Would you consider it disingenuous on the part of the persons who put that before you, if they concealed the fact of cash credits having been so granted before?—Yes, I should.

1551. Were you aware of what the Scotch system of cash credits was?—It was discussed at the board.

1552. Who proposed the resolution?—I think that it was brought forward by the secretary, or by the president on behalf of the secretary.

1553. I want to know the original shape in which that motion was brought forward—I understood it to be that one name should be required instead of two; but I did not remember that it was without any collateral security at all.

1554. This was the original proposition. (*Handing exhibit* A 48 *to witness.*) You see that it ran quite in another way; it stated the Scotch system of credit quite honestly, namely, that it required two persons as sureties, if you read what is scratched out, and read it as it stood originally.—Yes. As I understood it, it was one name instead of two which was proposed, but not without any security whatever. I never knew that until I heard the evidence of Mr. Birch here the other day.

1555. What was the original proposition? Do you remember that alteration being made, altering it from two names to no security?—I have an idea that on this day I came late to the meeting, and that they had just finished discussing the matter, and that the president read it out to me; but the impression which I had up to the other day was, that it was merely reducing the number of sureties from two to one.

1556. Were you present at the next meeting, when the minutes of the meeting of the 2nd June were read?—Yes.

1557. I understand that you never took any objection to this system of lending money, at all events after the 2nd of June, on a cash credit upon the security of the borrower alone?—No, I did not.

1558. Do you think that that was a wise system of banking to introduce?—No, certainly not.

1559. Did you know of loans on promissory notes, or bonds, without any other security?—No, I never heard of it.

1560. Did you know of loans, nominally on a promissory note, shares being deposited for safe custody; a sort of disguise to cover advances upon shares?—No, I never heard of it. I asked the question several times of the secretary, whether he was ever advancing upon shares, and he said that he was never doing it.

1561. Which secretary told you that?—Mr. Blair. I remember two distinct occasions on which I asked him the question.

1562. Do you remember any cases of advances to buy shares on the promise that those shares should be deposited when bought?—I never heard of such a thing.

1563. Did you know of any advance on shares openly made at the Kalbadevi Branch, without any disguise like that which was adopted at the head office?—No. I was informed by the secretary that they never advanced on shares. I asked the question two or three times; but I remember two occasions. I also talked to the president about it, and he likewise told me that they never advanced on shares. I knew that the power was given by the charter, but I understood that no money was to be advanced on shares except the matter was first laid before the board.

1564. (*Mr. Melvill.*) Do you know at what time in 1864 you asked the secretary that question?—No.

1565. (*President.*) Are you quite sure that on more than one occasion you asked that question of the secretary, and got that answer?—Yes.

1566. It is rather material as to the time when you asked him that question. You were a director on the 4th of February 1864; they did not begin to lend even on shares in that way till the latter part of 1864?—I could not state the exact date at all.

1567. What did you understand the powers of the secretary to be?—To advance money on Government securities; Government promissory notes, or railway shares; and to discount bills or grant cash credits only, in communication, as I was told, with the mercantile directors and the president. When I was in Madras I was on the board of directors there, and it was the custom in that place to circulate all bills for discount prior to their being passed, and two of the directors put their initials to them. When I got to Bombay, I inquired why this was not done, and the secretary told me that he consulted the mercantile directors.

1568. Did you put yourself in communication with the chairman, or any of the commercial directors, to test the truth of that statement of the secretary?—I did not.

1569. You took what he stated to be the fact?—Yes.

1570. Were you aware of the practice of referring bills to a native director?—I knew that Cowasjee first, and Premchund afterwards, was consulted with regard to the credit of natives, but I did not know that anything more was done than that.

1571. You were not aware of Premchund's habitually introducing men to the notice of the secretary, and writing notes, saying "Lend So-and-so so many lacs"?—Never; I never heard of it whilst I was there.

1572. You never heard of his being constantly referred to by Mr. Blair, and Mr. Blair acting upon his authority alone?—I never heard a word of it, and I had not the slightest suspicion of it.

1573. Did you see Premchund Roychund yourself at all?—I think that he sat on the board about twice while I was there, just before I left.

1574. Did you ever talk with him on the Bank's affairs, or find out that he was interfering at all?—Never. I did not know him. I never spoke to him.

1575. You were also a Bank director when the Kalbadevi Branch was opened?—Yes.

1576. What was the original idea in opening that branch?—My impression was that it was merely to do the same business in the native part of the town as was done at the Fort.

1577. Did you think that it was to grant discounts, cash credits, and loans?—That I understood, from what the president said.

1578. You understood the president to say that?—Yes.

1579. In your idea it was not to be a mere Bank of deposit?—No. The Fort is at some distance from the native part of the town, and the natives might not wish to come so far.

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1580. I believe that you were at the board on the day when Premchund Roychund resigned for the first time, namely, the 15th of September 1864?—I do not know.

1581. Do you remember the letters which passed at the time? There is the following letter from Premchund recorded on the minutes: "10 Sept. 1864. I beg to tender my resignation as director of the Bank, owing to my being constantly absent from Bombay. I remain yours, obediently, Premchund Roychund." You were not present on that day; you were not a party to pressing him to remain on the direction?—No.

1582. Were you aware that Mr. Birch was receiving allotments of shares?—I knew that he received one allotment in the Financial Association of India and China, which he told me of, and it was reported that he had received two, but I did not know that he had received any besides those.

1583. Did you know that Mr. Blair and Mr. Robertson were receiving allotments of every thing which was going?—No.

1584. Or that they were receiving allotments at all?—No, I did not know that they were receiving them at all.

1585. Did you know that any other Bank official was receiving them?—No.

1586. Your attention was never called to that fact, so that you could signify your disapprobation of it or otherwise?—Never.

1587. Did you know that the majority of them were speculating in any way?—No.

1588. Or that they were interested in any other Bank?—No; I had not the slightest idea of the fact.

1589. What allotments did you receive?—I received one allotment in the Financial Association of India and China.

1590. Fifteen shares, I think?—I forget the number.

1591. Did you receive any of the new issue?—No, I did not have any of those. I thought the number was 25 in the first issue.

1592. We have it down 15—It is a long time ago.

1593. You are quite right (*after referring to the allotment register*); it is 25. Did you have any other allotments?—I had an allotment in the Peninsula Bank of India.

1594. With respect to the Financial Association, to whom did you apply for that allotment?—To the provisional manager, I think they called him; the person who advertised in the papers.

1595. Was not his name Smith?—No; I think it was before Mr. Smith became manager. I forget his name.

1596. The shares were at a premium at the time?—Yes, when they were allotted.

1597. How much was paid up on each share; was not it 100 rupees?—I do not know.

1598. When did you sell them?—I sold them two or three days after allotment.

1599. At what price?—Between 70 and 80 rupees profit. I forget exactly.

1600. As to your Peninsula Bank shares, how many did you have of them?—Forty, I think.

1601. The Financial Association shares were allotted on the 6th of June 1864?—I do not recollect the date.

1602. When were the shares of the Peninsula Bank allotted?—I should think about a month later, so far as I remember.

1603. July 1864. At what premium were they?—I think that I sold some at about 20.

1604. You sold them directly you got them, I suppose?—Within a fortnight.

1605. At how much?—I think that some were sold at 20 and some at 13, or some at 13 and some at 7.

1606. You sold them at a premium. How many shares were there?—Forty, I think. I am not quite sure as to the number.

1607. Did you receive any other allotment?—I received an allotment in the Brick and Tile Company.

1608. That was in the latter part of 1864?—Yes; I think so. It was the Victoria Brick and Tile Company, I think.

1609. How many shares had you in that company?—Fifteen, I think.

1610. Did you sell them at a premium?—No; I kept them.

1611. Then I suppose that you have sold them at a loss?—They have gone into liquidation.

1612. (*Mr. Melvill.*) Had you not some shares in the Bombay Joint Stock Corporation?—I bought some in the market. I had a share in the United Colaba Land Company.

1613. Did you make a large profit by those shares?—No; I think that I sold them at 3,000 rupees profit. I sold mine immediately.

1614. (*President.*) What did you consider to be your duty as a Government director?—The most important duty, I thought, was to see that the terms of the charter were not exceeded in any way.

1615. Did you feel it to be your duty to report to the Government anything which went wrong in the Bank?—Certainly.

1616. Did you, in fact, during the whole time when you were a Government director, make any such report to the Government?—Never.

1617. You did not think that anything was going wrong?—No.

1618. Did you receive any instructions from the Government as to what your duties were to be?—None whatever.

1619. Not during the whole time that you were a director?—None, so far as I remember.

1620. Were there any rules laid down for Government directors?—None that I ever saw.

1621. Did you consider that your duties were in any way different from those of the commercial directors?—Not at all, with the exception that it was the duty of a Government director, if anything went wrong, to let the Government know of it.

1622. You did not think that the Government directors were at all more absolved from looking into the advances than the commercial directors?—No; but I did not think that they were in a position to look into them.

1623. You did not think that they were qualified?—Just so. I was a stranger to Bombay. I had no means of knowing the credit of the different parties who had bills discounted at the Bank.

1624. Had you any notion as to the powers which the secretary was assuming?—No, not the least.

1625. You have told us that you thought that he was only advancing upon Government paper and bullion, and securities of that nature?—Yes.

1626. That is to say excepting those two cases to which you have called attention, namely, a promisory note, and then, eventually, after the 2nd of June 1864, on cash credits in one name?—Yes.

1627. You were aware of those two alterations?—Yes.

1628. And of no other?—Of no other.

1629. Were you aware of any byelaws?—No; I never saw any.

1630. You had been a director before of the Bank of Madras; had they no byelaws there?—I presume so, and I presume that they had them in Bombay.

1631. In point of fact you never inquired as to byelaws?—No; I never asked to see them, I was guided by the terms of the charter.

1632. By Act 10 of 1863?—Yes; and I of course considered that there was a regular set of rules laid down in the Bank for the secretary's guidance.

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1633. But you did not inquire or ask for those rules ?—No.

1634. (*Major Innes.*) You had found a difference of opinion among some of the directors as to the power of the secretary to advance upon a single name ?—Yes.

1635. Did not that lead you to inquire as to byelaws ?—I found that the opinion of two Government directors and of one mercantile director was against me, and the mercantile director said that it had been the custom in the Bank of Bombay to discount those bills, and of course I thought that I was wrong and that the others were right.

1636. I do not mean as a matter of opinion, but detailed byelaws; you did not ask for them ?—No; the mercantile director stated that it had always been the practice of the Bank, and therefore I did not ask.

1637. There being a difference of opinion, you did not ask ?—No. The Government directors merely said that they thought that it could be done under the charter; and Mr. Lidderdale said that it had been done, and that he thought that it always had been done.

1638. (*President.*) We must take you a little more particularly through the transactions at the Bank. On the 21st of October 1864 a bill of the Alliance Financial Corporation was discounted for five lacs of rupees, and on the 8th of November 1864 another for five lacs; were you aware of those facts ?—No.

1639. Did you know that Atmaram Madhowjee had 20,70,000 rupees outstanding when he got a bill discounted at the head office of 5,50,000 rupees ?—No.

1640. In fact you really did not know of any of these loans or cash credits ?—I understood that the secretary was acting in communication with the president; and I thought that, if any person wanted an advance to any large amount, it would be brought before the board by the president.

1641. Then you thought that the president, Mr. Birch, was actively interfering in the management of the Bank ?—I thought that he was.

1642. Was he constantly at the Bank ?—He was was there on board days with the secretary, before the directors met, and he generally stopped afterwards.

1643. Do you know whether he was there on other days ?—I do not know.

1644. Did you know of those large loans to Brown and Best ?—No, I never heard of them.

1645. With regard to Burjorjee Rustomjee, at the Kalbadevi Branch, did you know of the transactions there ?—No.

1646. Did you ever inquire how that branch was managed ?—No. Other branches had been started, and I presumed that the same set of rules issued for their guidance would be sent to the Kalbadevi Branch.

1647. Did you hear of a sum of 10 lacs, namely, 100,000*l.*, passed across the counter for a promissory note to the Eastern Financial Association ?—No, I never heard of it.

1648. In fact, I suppose it is of no use taking you through these transactions; you do not know anything of them ?—I do not know of a single one.

1649. You yourself did not know what was going on in the Bank ?—I had no idea that they were advancing money in the way in which it now turns out that they were.

1650. Was the Government aware of it ?—I presume not.

1651. Do you know whether the Government was informed by any other person during the time that you were in Bombay of what was going on in the Bank ?—Never, I believe.

1652. (*President.*) At the next meeting we shall examine Mr. Blair at his own house. Mr. Blair's examination will certainly take two days.

Monday, 16th November 1868.

PRESENT:

President.

Sir CHARLES JACKSON.

Members.

Major McLEOD INNES.
MAXWELL MELVILL, Esq.

Secretary.

F. D. CHAUNTRELL, Esq.

JAMES BLAIR sworn and examined at No. 90, Richmond-road, Bayswater.

Mr. J. Blair.

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1653. (*President.*) I believe that you were employed for a very long time in the Bank of Bombay?—In the first place, perhaps, you will allow me to put a question to you. Is the statement which I have given in, under medical advice, entered upon the Minutes of the Commission?

1654. Not yet. It will not be entered until after the examination, and probably the examination will render it unnecessary to enter any such statement.—If not, I must decline to answer any general questions, as recommended by my medical attendant.

1655. I thought that you had arranged with Mr. Chauntrell to be examined here?—On the document certainly, on the statement which I have sent in.

1656. You will be examined upon that statement, and upon other points also?—That must be the first, under my medical attendant's advice. By my medical attendant's opinion it is dangerous to my life.

(*President, to the Secretary.*) I understood Mr. Blair to state that he could bear an examination here in private?

(*Secretary.*) Mr. Blair did not state to me that he required to be examined on that statement which he sent in, but said that he was quite willing to be examined here.

(*Mr. Blair, to the President.*) I asked you whether the statement had been received, and you seemed rather to evade the question, and simply to state that the document had been received. I have been waiting for an answer to that letter.

(*President.*) The statement has been received.

(*Witness.*) Yes, but my medical adviser states simply, that I should be examined on written interrogatories in the present state of my health.

1657. (*President.*) We would rather not examine you at all, than examine you on written interrogatories; that would be entirely nugatory.—You have medical statements which I can read over to you.

1658. We have read them most carefully.—In fairness I am quite willing to give any evidence, but at the request of my medical attendant I have given a written statement. I have acted upon his advice.

1659. You have given a written statement which is extremely unsatisfactory, avoiding all the really important points upon which we wish to examine you.—That statement is what is required, as far as I could find out from the notes which I have taken.

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1660. Having received that written statement, which has not been recorded, I should hope to get something more satisfactory from you; but of course if you find that the examination is more than you can bear, we must retire.—I simply go upon medical advice. I came up here, on the first notice, without medical advice, to wait upon you.

1661. We are wasting a great deal of time, and consuming your strength. Do you intend to be examined or not? We have all come here for that purpose.—Yes, if the statement is recorded upon the minutes.

1662. I have no objection to record that statement upon the minutes.—If the statement is recorded, I am ready, as far as possible, to answer any further questions.

1663. I believe that you were employed for a long time in the Bank of Bombay?—Since 1853.

1664. You were deputy secretary before you became secretary?—I entered the bank as chief accountant.

1665. You afterwards became deputy secretary?—In 1856.

1666. And secretary in 1860?—Yes.—Then it is understood that this statement, a copy of which I have, is to be recorded on the minutes?

1667. Yes.—With the medical opinions and my letter. I should wish my letter to be recorded, because it has been stated that I have been summoned against my will.

1668. It is not only recorded, but set out in full in the printed minutes of our proceedings.

I wish you to confine your attention as much as possible to the important facts, as we do not want to detain you longer than is necessary. First of all, will you tell us when you were absent from Bombay. I understand from your statement that you were absent from the 16th January to the 14th March 1865; is that correct?—That is correct.

1669. Were you absent at all during 1864?—Yes; during the races at Poona, in September I think it was, I was away for five weeks, at the end of August and in September, as far as my recollection goes; but you must bear with me so far, inasmuch as it is a long time since.

1670. When did you resign?—I left Bombay on the 29th April 1865, but the deputy secretary was gazetted in the "Bombay Gazette," as far as I recollect, on the 2d January 1865, as the Directors knew that I was going home.

1671. Do you mean to say that Mr. Robertson was officiating secretary in January 1865?—Yes, on the 2d January 1865 he was gazetted officially.

1672. Do you mean to say that you did not attend as secretary after that?—I was away at Ajmere. I think that that was the date.

1673. But you were still secretary?—I was immediately going away, and Mr. Robertson was gazetted as secretary; that is, as far as my memory bears me out.

1674. Are the assertions in this statement (Exhibit Y 1) which you have sent in to us true?—Yes, perfectly true.

1675. Is this memorandum (Exhibit Y 2) which you sent in of your shares correct?—Yes, as far as my recollection goes.

1676. You returned to Bombay on the 13th March 1865; on what day did you sail from India?—On the 29th April 1865.

1677. You attended as secretary from the 14th of March to the 29th of April?—Yes.

1678. You were well acquainted with the practice of the old Bank?—Yes.

1679. I will not ask you any questions about the preparation of the Act of 1863, we are going to examine the Governor as to that, and we have pretty well ascertained all about it, and do not want therefore to take your evidence upon that point. You knew the system of discounts under the old Act?—Yes.

1680. There were two names of independent persons, or firms, always required?—Yes.

1681. There was a private discount list kept, and revised from time to time?—Yes.

1682. Under the old Act the time for which loans were to run was limited to three months?—To three months.

1683. And there was a limit imposed by the Act upon discounts, as to amount; they were not to exceed three lacs of rupees?—Yes.

1684. You could not lend more?—No; except to Government, seven lacs.

1685. And there was a register of bills discounted kept accurately at that time?—Yes.

1686. I am cross-examining, and therefore I put leading questions. In discounts under the new Act the alteration consisted in your taking the name of one individual or one firm; that was one alteration under the new Act?—Yes; there was that power.

1687. "Negotiable securities" being the words in the new Act, you considered that that authorized you to advance upon a promissory note with one name?—Will you repeat that question?

1688. The new Act authorized you, did it not, to advance upon a promissory note with a single name?—Certainly.

1689. When did you first do that?—I may state that I was simply the servant of the directors.

1690. The very next question which I am going to put will give you an opportunity of stating that; I want to know, first of all, the time. When did you begin to do that; was it immediately after the Act passed, or did you wait until the middle of 1864?—Will you allow me to refer to these notes, which were made up at my leisure, as far as my memory could bear me out?

1691. Did you begin to do it shortly after the Act passed?—The private discount list was discontinued about 1863.

1692. When did you begin to lend on one name?—From that date.

1693. By what authority did you introduce that new practice?—Of the directors, of course.

1694. To whom did you apply for that authority?—I do not know that I applied at all. We could get little or no business unless that system was adopted when the branches were to be commenced. The Hoondee system was entirely on one name; the natives would not generally trust each other.

1695. You volunteered the information when I did not ask for it; and now I want to have it. By what authority did you introduce this practice of one name; who authorized you?—The directors.

1696. What directors?—The minutes will show that.

1697. We have the minutes; will you kindly show us any minute which authorized you to do it?—It is not authorized in the minutes; it was tacitly agreed to by all the directors, and acted upon continuously ever afterwards.

1698. They could not have given you instructions tacitly; you must have had some instructions. There were Mr. Birch, the Chairman, Mr. M'Ilwraith, Mr. Gavin Steel, Mr. Cowasjee Jehangeer, and other directors at that time; cannot you remember by whose authority it was?—There is no name in my memoranda; it was a general order, as it was understood by the directors, and I was to act upon it.

1699. We want to get at the fact who it was that told you to do it, but you cannot say?—My memory will not serve me upon it; it was the general board.

1700. Was not there a new system introduced at that time of referring bills to native directors?—Perhaps you will allow me to read what I have written; this bears upon the point. Circulars have been returned and minutes made on them to this effect: "I do not know the applicant; ask a native director, and be guided by his opinion;" so that involuntarily on my

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part, and with the knowledge of the European directors, all applications for advances by natives were only submitted to a native director.

1701. During the latter part of 1863, and until June 1864, the native directors consulted were Cowasjee Jehangeer and Premchund Roychund, were they not?—Premchund Roychund succeeded Cowasjee Jehangeer as far as I know.

1702. You are right; until June 1864, Cowasjee Jehangeer was consulted, and after him Premchund Roychund?—Yes.

1703. Do you remember that practice being objected to by Mr. Foggo, one of the directors?—Never.

1704. Cannot you recollect the name of a single director who authorized you to make discounts upon one name?—No, I really cannot.

1705. Cash credits under the old system were granted upon the security of Government paper, railway shares, the interest on which was guaranteed by Government, or bullion, is that not so?—On Government paper and railway shares under Government guarantee.

1706. And bullion?—Yes.

1707. Were not they always entered in the "Application Book"?—Always.

1708. The "Application Book" should contain every application for a cash credit or a loan?—It should.

1709. Shortly after Act No. 10 of 1863 passed you commenced the system of granting cash credits upon the simple promissory notes of the borrowers, did you not?—Yes.

1710. When do you first remember to have done that? Perhaps looking at that book will refresh your memory (*handing Exhibit A* 33 *to the witness*). You see that, of the first two which were granted, one was to Roychund Deepchund, and the other was to Premchund Roychund.—The first date in the book is the 2d of October 1863.

1711. Yes; that is after the Act passed. You began about that time to grant cash credits on personal security?—I cannot state as to that. These appear only when they were paid off; as to date, I cannot exactly state when the first was.

1712. This was a book kept by Mr. De Ga (you must recollect it), and all cash credits granted on personal security were entered in it.—I never saw the book, and do not know what it refers to at all.

1713. He kept it for his own protection; you do not recollect it?—I never saw such a book.

1714. You never saw that book before?—Never; it seems to have been a private book for memoranda. It has no initials of mine, or anything of that sort.

1715. I will show you some presently which I think have your initials. When did you begin to grant cash credits on personal security?—I forget the exact date. You can refer to the minutes.

1716. Was it not shortly after the passing of the Act? there is nothing on the minutes till the 2d June 1864.—That was the first of the cash credits that I recollect.

1717. We have distinct evidence that cash credits were granted on personal security, and began in August 1863. We have the evidence of the men who actually received them, and here they are kept by Mr. De Ga and the authorities in the bank. You saw this book, and it tallies with all the accounts. You do not recollect cash credits being granted in 1863 upon personal security?—I do not recollect. Was it not an overdrawn account?

1718. No; these were cash credits.—That was the first time when the board sanctioned it to my knowledge.

1719. Are you prepared to say that you never granted a cash credit without security till the board sanctioned it on the 2d June 1864?—Yes; as far as my memory helps me out.

1720. Do you mean to say that all the entries in the books (we have recently examined these entries) are incorrect?—I was not aware until now of these.

1721. Did not Premchund Roychund himself come and ask you (he has sworn it himself) to begin this system of granting cash credits on one name without security? I will read to you the questions which I put to him, and his answers.

The President here read as follows from the Minutes of Evidence taken by the Commission in India:

"(*President.*) Are you aware that Mr. Blair commenced granting cash credits upon personal security in August or September 1863? *A.* Yes. *Q.* I believe that you and your father were the first two persons who ever took the benefit of that resolution of his to grant cash credits upon personal security. So it appears in the book. *Q.* You each of you got a cash credit of one lakh; did you not? *A.* My father got a lakh. *Q.* You both got a cash credit in August or September, your father got a lakh and you also got a lakh. Mr. Blair had never done this before, you know? *A.* I do not know that at all. *Q.* But your father was the broker of the bank, and all your life you have had transactions with the bank; you must have known that they had never done so before? *A.* Not before, not while Mr. Stuart was there. *Q.* How was it that you and your father contrived to induce Mr. Blair to break through the old rule of the bank? *A.* I did not induce him; it was his own wish that the bank should advance upon personal security. *Q.* Was there a bank director in August, or September 1863, who knew that Mr Blair was advancing money upon personal security? *A.* I do not know. *Q.* I want to know how it was that you and your father managed to get Mr. Blair to break through the rule of the Bank of Bombay, by granting cash credits upon personal security? *A.* The rule of the bank was to advance upon two names;" and so on.

(*President.*) At last I got it out of him; he replied as follows: "It was this; some shroffs and native merchants, and European merchants also, did not like to bring their names before the directors of the bank, and the directors of the bank could get out no discounts at all. I said to Mr. Blair, if the bank would grant loans upon personal security he would get plenty of persons to come forward to take loans."

The examination continued thus: "*Q.* You suggested then to Mr. Blair that if he would grant cash credits upon personal security he would get plenty of applicants to come forward? *A.* Yes, and Mr. Blair said he would let me know after he had consulted with the directors. *Q.* Did Mr. Blair consult the directors? *A.* I do not know that, Sir; he must have done so; how could he advance upon personal security without consulting the directors at all. *Q.* How do you know he did consult any one but yourself? *A.* He told me himself that he would consult with some of the directors, and let me know the result. *Q.* You knew most of the directors of the bank at that time? *A.* All of them. *Q.* Can you say that any of them knew that cash credits were granted upon personal security? *A.* I think they knew it. *Q.* What directors knew it? *A.* I do not know that."

1722. (*President.*) You observe that he distinctly stated it, and the bank books show that it was so?—I do not recollect it at all.

1723. We find a great number of large transactions, some of them for as much as two lacs, and a great many others down to 1864. Premchund Roychund came again for two lacs before that time.—My memory does not bear me out so far as that.

1724. Then do you mean to contradict the evidence, furnished by the books themselves, of that fact?—I cannot do that. I was frequently away.

1725. You were not away at this time. Here are the initials of Mr. Ryland, the deputy secretary, all through this book (*referring to* A 33).—So I see, but I do not recollect that authority having been given before the resolution of the board passed it.

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1726. I ask you, as the secretary of the bank, whether they could have been lending a lac and two lacs day after day without you knowing it?—By the deputy secretary, certainly.

1727. Would you not have known it the next day, when you looked at the accounts?—But I could not look at the accounts constantly.

1728. But you were the supervisor of the whole bank, and you certainly knew that large sums like those were going out?—Yes; but they must have been recommended.

1729. That is not the question. I only want the fact, whether they were granted before 1864?—I was not aware of it.

1730. When do you say that authority was first given for it?—As far as my recollection goes, from that resolution, which you will find on the minutes.

1731. Of the 2d June 1864?—So you say, I do not recollect the date. These memoranda I see are called promissory notes as well as cash credits. I do not understand that book at all.

1732. The personal security consisted of a promissory note, and that was the system introduced, viz., granting cash credits upon the personal security of a promissory note; that system was adopted by the board on the 2d June 1864. May I ask who suggested that resolution of the 2d of June (*handing the Exhibit* A 48 *to the witness*)? In whose handwriting is this?—That is mine. I may state that it was long under discussion by the directors before it was adopted.

1733. Will you kindly answer the question?—The front is mine, and the second page is like Mr. Ryland's writing.

1734. Is not the alteration in your handwriting?—Certainly, but not the whole page.

1735. That is in Mr. Ryland's handwriting, is it?—Yes.

1736. Whose initials are those (*handing the Exhibit* A 33 *to the witness*)?—Indeed I can hardly tell you. They are not mine.

1737. (*Mr. Melvill.*) Are not those words "given up" in your handwriting?—No, they are in the handwriting of some clerk. It refers to securities, I fancy.

1738. (*President.*) I know what it refers to. The original suggestion was as follows: "It is respectfully suggested that the number of credit accounts might be greatly increased if the system practised in Scotland was introduced, namely, on a bond for a certain amount being signed by the party requiring the accommodation, together with two good names as security." Did not that original statement give a correct description of the Scotch system of cash credits?—Various banks have their own ways in Scotland, I fancy.

1739. I ask you as a matter of fact whether it is not the Scotch system always to require two names as security?—That I really do not know.

1740. You were educated in Scotland, were you not, and you were employed in a bank there before you went out to India?—Yes.

1741. Then how was it that you (for you admit that it is your handwriting) altered the statement, and made it appear that the Scotch system was "with, or without good names as security according to the credit of the party," striking out the words that it required two good names?—It was with the sanction of the directors.

1742. Am I to understand that you made that alteration by the direction of the directors?—Certainly.

1743. At the board meeting?—At the meeting, and it would be copied into the minutes and signed at the next meeting by the directors.

1744. What director authorized you to make that alteration?—The board.

1745. I want to know what director authorized it?—If you will kindly refer to the minutes you will see what directors were present.

1746. Perhaps you will look at them, and then perhaps you will recollect the names.—That is impossible, because the resolutions which were passed were all passed by the directors; the directors present agreed.

1747. Possibly there was some discussion, and somebody proposed it?—That is possible; but I cannot recollect the discussion which took place so long ago.

1748. Will you look at the names; you were present on that occasion?—(*After referring to the minutes*) Seven directors were present.

1749. You do not recollect under whose authority you made that alteration?—The general board of directors.

1750. This statement goes on to say, "At present no person, in however "good credit, can have a credit account with the bank unless he can lodge "Government paper as security, besides signing a bond which has to be "renewed every three months." We shall examine Mr. Ryland about this matter. I ask you is that a correct statement?—That was the old system.

1751. Was that the system which was adopted after the Act 10 of 1863 was introduced; it had been passed nearly a year then?—I really do not recollect. Will you kindly read it over again?

1752. "At present no person, in however good credit, can have a credit "account with the bank unless he can lodge Government paper as security, "besides signing a bond which has to be renewed every three months." Is that a correct statement of the practice existing at that time?—It was the practice certainly.

1753. Then you utterly deny what appears in the bank's books, and what appears from the evidence of all the witnesses, that cash credits were granted on personal security in 1863, and in 1864 previously to June?—No, it was a regular practice after June 1864.

1754. I am asking you as to the practice previously to June 1864. I want to have it distinctly that you deny the evidence of all the books, and all the witnesses, showing that cash credits were granted upon personal security previously to June 1864?—It is impossible to deny it, the books must show; the books are there, and they must be accurate.

1755. Then if the books must be accurate, did not you know the fact that those cash credits were granted?—As I stated a little while ago I was not aware of it, as far as my recollection goes, unless it was by the sanction of the directors.

1756. Do you mean to say that anybody could have conducted that business, and have granted all those cash credits, without your knowing it?—There are many things which it is impossible to know.

1757. There were sums of two lacs, one and a half lac, and never less than a lac, going out.—They must have had authority to grant it.

1758. Now that you have looked into the matter, do you still say that you were unaware of the existence of that practice before June 1864?—I have it here (*alluding to his notes*) from 1863; my memory does not bear me back.

1759. Do you recollect that in 1863 cash credits were granted upon personal security?—I cannot recollect; one person was not sufficient in 1863.

1760. We have already got the evidence with respect to the discounts. I am now talking of the cash credits?—I cannot recollect particularly as to the cash credits.

1761. Do you recollect in October 1863, directing Mr. De Ga not to enter cash credits granted on personal security in the application book?—I never gave such an order. I never knew of it until I came to Scotland, and Mr. Robertson told me that De Ga had made such an assertion.

1762. How can you account for the fact that none of these cash credits appear in the application book until after that resolution of June 1864?—I cannot account for it at all; they should have been there.

1763. Do you think that anybody would have ventured to have left out those applications upon personal security, unless it had been sanctioned by you?—Not unless it was by omission; they must have been omitted; it was not authorized by me.

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1764. You never authorized that omission?—Never.

1765. You deny that you told Mr. De Ga not to enter them in the application book?—Most certainly.

1766. You will see that there are Mr. D. Robertson's initials also in this little blue book?—So I see.

1767. There can be no more doubt about the practice than there is of our existence?—The authority must have been given by the directors.

1768. Then it must have been passed through you?—The deputy secretary was acting for me at the time, but certainly I should have known of it if it was the fact.

1769. Did you ever see these interest books (*handing Exhibits* A 28, A 29, *and* A 30, *to the witness*), showing the interest accruing upon these loans?—Yes; some of the interest is of my marking.

1770. Those are cash credits upon personal security, and that is the interest on them. Can you now doubt that you were aware of the existence of cash credits on personal security previously to June 1864? We have it in evidence that those books were the books kept by Mr. De Ga to show the interest which was due, and when it became due, on these cash credits.—Were not all these upon Government paper?

1771. Some may have been, but some were not—They must have been granted upon undoubted information of the security of the people by consulting the directors.

1772. That is not the point; what I want to know is, whether after having seen these books, and seen your own initials to them, you can doubt any longer, for a moment, that you must have known of the fact of these cash credits being granted previously to June 1864?—That is evidence itself that it must have been so, but it was certainly on the authority of some of the directors.

1773. That is another point; I simply want to know whether you knew of it?—It must have been so.

1774. Then if you knew of it, how is it that you could have assented to this statement, "At present, no person in however good credit, can have a credit account with the bank unless he can lodge Government paper as security, besides signing a bond which has to be renewed every three months"? That was not correct—I cannot recollect it.

1775. We will now go to loans under the old Act; they were granted upon the same security as cash credits, were they not; namely, Government paper, and bullion, and railway shares?—Yes, under the old Act, just the same as the cash credits.

1776. Under the new Act you began to lend money upon promissory notes and bonds, did you not?—On promissory notes.

1777. Of a single person?—On promissory notes. I do not know that bonds were prepared even at the time when I left.

1778. Yes, they were. We will show you one or two as specimens. Here is a bond (*producing Exhibit* A 51), upon which the sum of 62,500*l.* was lent. This is Cursetjee Furdoonjee's. Look at this (*handing another paper to the witness*). Whose initials are those?—I do not know; they are not my initials.

1779. This is a bond by Messrs. Brown and Best for 25,000*l.* (*Exhibit marked* A 131.) This bond is drawn in this way: "We have deposited in the Bank of Bombay personal security (that means a promissory note) to the amount of Company's rupees, two lacs and fifty thousand, as security for the repayment of two and a half lacs advanced by them to us with interest thereon at the rate of Company's rupees 14 per cent. per annum, and we agree that in case default should be made in payment at the expiration of the said period interest shall then be charged at and after the rate of Company's rupees 12 per cent. per annum." Do you remark that? So that if they failed to pay at the due date they were to pay less interest. There is the same condition in this (*handing Exhibit* A 51 *to the witness*).—These, I think, are just the same.

1780. But you remark that in case of default in payment at the due date the person is to pay less interest, and instead of putting "personal security" you put "P.S."?—That is personal security.

1781. Did you personally superintend the preparation of these documents?—No, I did not, that was for the solicitors.

1782. Do you mean to say that the solicitors drew up these documents?—They were old forms before I joined the bank.

1783. But they are filled up very incorrectly?—I never saw them, to my knowledge.

1784. Do you say it was the duty of the solicitor to fill up these forms?—No, he had drawn out the original form.

1785. Who filled up these forms?—That I never saw.

1786. In whose handwriting are they?—The words "1st July 1865" in A. 51 are in Mr. Robertson's writing, the others I do not know.

1787. You are not able to say who filled up those bonds in this careless manner?—I do not know. I do not know the handwriting.

1788. Do you consider those proper documents to advance upon?—Certainly; they are stamped.

1789. Do you think that they are proper documents containing the letters "P. S." for "personal security," and, in default of payment, less interest having to be paid than before?—That is not done by me.

1790. First of all, I ask you whether you consider those proper documents?—They were legal, certainly.

1791. Do you think they reflect credit upon the administration of the bank?—If the names were considered a perfect security, I consider so.

1792. I am now speaking about the forms of the bonds, how they were filled up.—But there may have been other bonds in preparation, and we could not perhaps get them prepared in time.

1793. Did not you consider it your duty as secretary to see these forms properly filled up.—These were done apparently by the deputy secretary.

1794. Do you mean to say that it was not your duty, but that it was the duty of the deputy secretary, to see these forms filled up?—I simply passed them; it was impossible for me to do everything.

1795. Then you say that the deputy secretary, Mr. Robertson, filled up those forms?—It was his duty to fill them up. Very often the form was filled up by a clerk.

1796. But you see Mr. Robertson's handwriting there?—I do.

1797. Were not these loans granted sometimes for long periods?—There was no period mentioned, it was simply to bring business to the bank, and the directors had power to call them up on demand, so that, when money was required, they had power to call them up whenever they liked.

1798. Shortly after the passing of the Act were not loans granted for longer periods than three months?—There was no date specified.

1799. Yes, in the case of Kursondass Madhowdass, who had the great loan of twenty-one lacs, he got that loan in August 1864, and it was understood that it was not to be repaid till the first of July 1865, the opium settling day; is not that so?—I am not aware of that case. Did I pass it?

1800. I ask you first of all as to the general practice, and then when I can get no answer from you on that point I ask you as to a particular case?—No date was specified to my knowledge.

1801. Do you mean to say that in every document every loan was made repayable on demand?—They bear that on the surface.

1802. But I ask you what the practice was?—The practice was to grant on demand.

1803. We have two cases before us; Brown and Best's is one for 14 days?—There may be exceptions.

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1804. And Cursetjee Furdoonjee's, granted on the 28th of December 1864, is payable on the 1st July 1865 (*again handing Exhibit A* 51 *to the witness*). —That is Mr. Robertson's writing.

1805. Never mind that. I am asking what the practice of the bank was.—It was the practice to make it payable on demand, and we had the power of getting the money back whenever the directors chose.

1806. I ask you whether it was not one of the alterations in the practice to make loans occasionally (I do not mean to say that it was done often) for very long periods?—I was not aware that there was any case where it was fixed for a long period.

1807. Here is one; do you doubt the existence of it? Here is a case of a loan for more than six months.—That decidedly bears it upon its face.

1808. Were not you aware of that practice?—I was not aware of the specified dates, because the stamp there would require to be altered.

1809. Then you were not at all aware of the practice?—Not of fixed dates, but simply on demand. I will read my own private notes which bear upon it; it is so long ago I cannot recollect with regard to the whole of these transactions.

1810. You do not know about it; that is quite enough.—I should like this to be correct. I do not suppose that you are in any great hurry, and it is as well to get it right. It was the case that the bank was obliged to dispense with all the Government paper which it was accustomed to take formerly.

1811. Do you recollect any loans being granted for long periods?—I do not think that they were granted for any fixed period.

1812. Is it not extraordinary that a person holding the position of secretary of the bank should not be aware of such things being done?—Cash credits there are none.

1813. I am not talking of cash credits now, I am talking of loans. You do not recollect loans being granted for a long period?—I certainly do not recollect any of long dates, but I presume that it was quite allowable by the new charter.

1814. That is another point. I am only asking you as to the practice. Was not it also the practice, after the passing of that Act, to lend money without any other security than a promissory note or bond?—On personal security.

1815. The security of a promissory note or bond, without any other security, was not that the practice?—I think that I said that it was the practice on personal security.

1816. I have gone through all the loans granted from the 1st of June 1864 to the 1st May 1865, which are now outstanding, and I find that in that time there are still 101 loans outstanding.—From when?

1817. From the 1st of June 1864 to the 1st of May 1865. Some of them represent more than one loan, but that is the number of transactions. Are you surprised to hear that 82 of those 101 loans were granted originally without any security whatever, except a promissory note or bond?—I should suppose that they were on personal security which was considered good.

1818. You are not surprised to hear that 82 were granted upon that security?—Not at all; in fact we had no other than the native business to fall back upon.

1819. I have analyzed these loans; one was granted on an insufficient amount of Government paper, and nine were granted on the security of shares at that period.—At what period?

1820. Previously to the 1st of May 1865.—On the security of shares?

1821. Yes; I am coming to that presently.—None except as collateral securities.

1822. Some of these transactions were loans on the security of shares, and others were on no security. That is an analysis of the 101 cases outstanding during your administration, that is down to the end of April 1865?—Exactly.

1823. 82 of the 101 cases at this moment are without any security having been taken originally. I do not mean to say that Mr. Robertson did not get security for them afterwards, but that is another thing. You are not surprised at this analysis, showing that 82 of those loans were granted without any security at that time. You said that that was the first case of personal security which you remembered?—Certainly; or rather the consulting director brought these cases to us.

1824. I am coming to the question of the directors afterwards. Did you consider that a proper system of banking, namely, to grant loans on personal security?—Yes.

1825. Of the borrower alone?—One person?

1826. One person or one firm?—Certainly, if they were considered wealthy enough.

1827. As to the loans on shares, when did you begin to advance money on shares?—There was no money advanced on shares during my time.

1828. Let us go back a little. Was not there a resolution passed on the 6th of August 1863, stating that no money should be advanced on shares unless the case was brought before the board and received their sanction?—I forget the date, you will find it upon the minutes. There was a resolution that it should not be done without the sanction of the directors; it was under discussion then.

1829. Do you not remember getting a letter from the Bank of Bengal about that time, shortly after the passing of the Act, advising you strongly not to lend upon the shares of those ephemeral companies which were then starting up?—No, I do not recollect it. I recollect a letter from the Bank of Bengal at the time of the resolution stating, as far as my recollection goes, that they would advance upon the shares of the Oriental Bank.

1830. It is the same letter, but I am not talking of that part of it.—I cannot recollect what was in it altogether.

1831. Did it not wind up with a strong piece of advice from the Bank of Bengal to you not to lend on shares of the ephemeral companies which were then starting up?—I am not aware.

1832. When did you in point of fact begin to advance on shares?—We did not advance on shares.

1833. When did you begin the practice of lending on shares in this way, lending money to a party upon the understanding that he was to deposit the shares for safe custody. When did you begin that practice of lending monies to parties, it being understood that the shares were to be deposited with the bank for safe custody?—That was the first loan, I think, of Cama's. I will read this to you. When the loans were granted Premchund said that the parties were undoubted, but that to make it doubly secure they would lodge securities of the Elphinstone Land and the Back Bay companies. I stated at once that I was, as he knew, not allowed to advance on any shares without the directors' sanction. He answered that he did not mean the advances to be made on the shares at all, but they were to be kept for safety, without the slightest risk to the bank, they being available by the directors at the proper time, when they thought necessary to use them as collateral security. That was for Cama's or Dr. Diver's loan as far as I recollect.

1834. Then it was the suggestion of Premchund that you should adopt that practice?—Certainly; he was consulting director.

1835. When did that system of lending money (the shares being deposited for safe custody) commence?—I have just stated that it was when Cama's loan was granted.

1836. Do you mean Byramjee Hormusjee Cama's loan?—Yes, or Dr. Diver's.

1837. Do you not recollect the great loans to Kursondass Madhowdass and Co., of 21 lacs?—No, I do not recollect it.

1838. They were made in the months of August and September 1864?—I was in Poona at that time, in August and September, as far as I recollect. You will find my initials to the loans which were passed by me.

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1839. You mean to say that you had nothing to do with those loans?—I do not recollect the name at all; but you will see at once by my initials.

1840. But you admit the practice clearly?—Certainly.

1841. That is to say, that there was in the year 1864 a practice of lending money on promissory notes; shares bought with the money being deposited for safe custody?—Just as I have stated.

1842. That being so, were you aware that shares were openly advanced on, before April 1865, at the Kalbadevi branch?—No, I was not aware of it.

1843. Do you mean to say that Mr. Bullock never told you that?—Never.

1844. Or did he ever tell you that he adopted the same practice as you did, namely, lending money, and having the share certificates deposited for safe custody?—No, he never told me anything with regard to that, as far as I recollect.

1845. Just let me ask your attention to a letter which I have here of Mr. Bullock's of the 22d December 1864, addressed "To the Secretary and Treasurer, Bank of Bombay." It contains the following passage: "We included these transactions with our fixed loans, but, as they fall due, we do not renew them, and collateral securities will in future be taken with private bills for safe custody, in the manner in which this is done at head office."—What is the date of that letter?

1846. The 22d December 1864. Is it not clear from that letter that the same custom prevailed?—Have you the letter signed by me to which that is an answer?

1847. I do not know that it is signed by you.—I think that I was at Ahmedabad at that time.

1848. You told us that you were absent from Bombay from the 16th of January till the 14th of March 1865, and that you were absent in 1864 for the Poona Races in August and September, five weeks.—Then it must have been in 1863 that I was away.

1849. This is a letter of the 22d December 1864, addressed to you, in which Mr. Bullock says, "Collateral securities will in future be taken with private bills for safe custody in the manner in which this is done at head office." Is it not therefore clear that this practice of lending money and having the shares deposited for safe custody prevailed both at the head office and at Kalbadevi in December 1864?—Similar to what is stated here by Premchund's advice.

1850. I want to fix the time.—I have not got it.

1851. I have fixed it by that letter. Then there is another letter from Mr. D. Robertson.—It is stated in the other letter, I think, that the certificates are only for safety.

1852. You were absent at that time; it was just a few days before your return; but I am only giving you further evidence of the practice which was existing. This letter (*Exhibit* A 122.) is from Mr. D. Robertson, who was acting for you at the time: "My dear Cowasjee, We do not, as a rule, advance upon any shares; but in some instances we have granted loans on personal security, and have received Back Bay and Elphinstone shares from the parties for deposit in the bank for safe custody."—That is signed by Mr. Robertson.

1853. It is.—I think that that must have been the letter which Mr. Melvill alluded to in Bombay, as if I had stated it.

(*Mr. Melvill.*) That was not the letter. I referred to a letter (*Exhibit* A 37) written by you.

1854. (*President.*) What I want to fix is this. We have this practice existing in 1864 and in the early part of 1865, and we have that fact clearly established, I think, upon documents which cannot be disputed. Was not that, in point of fact, under a thin disguise, lending the money on shares?—

No, certainly not. As it is stated here it could not be done without the directors' sanction.

1855. That is another point. We will have the directors' sanction by and bye, but I want to get the fact. What I want to get from you is this; was not it, in fact, under a thin disguise, lending the money on shares?—No; because the shares were not lodged for a long time afterwards; the people were considered undoubted.

1856. Was not the agreement at the time that a promissory note was to be given, and that the share certificates were to be deposited for safe custody? —I do not recollect.

1857. It is impossible to dispute that.—I think that what I have stated here as to Premchund is recorded.

1858. We have the fact that it was his suggestion.—Yes, that it was he who did it.

1859. We come next to the board minute of the 12th April 1865. Will you kindly look at it. Here is the resolution of the 12th of April 1865 (*handing the minute book to the witness*). Do you remember the passing of that resolution?—This first part of it refers to the resolution of 6th August 1863, to which you have referred formerly.

1860. Do you remember the passing of that resolution of 12th April 1865? It is a most important one.—Yes, certainly.

1861. What necessity was there for that resolution, if you in fact were doing this before?—It was fixing the amounts to be advanced. Formerly there were no particulars as to amount, or anything. It simply corroborates what I stated before.

1862. It was fixing the amount which you might advance?—Yes, as far as I recollect, unless the directors had any other reason.

1863. Who brought forward that resolution?—I do not recollect that; it was a general resolution of the directors.

1864. You do not seem to recollect any of these most important things, which we should have thought, as secretary, you would have told us.—It was passed by the general board; the directors all agreed.

1865. That resolution must have taken a great deal of time to prepare; somebody must have brought that resolution already prepared into the room. Was it your suggestion?—It was not my suggestion, certainly.

1866. Who did suggest that resolution?—The directors on some applications; you will find that there would be applications for loans at that date.

1867. Which director framed that resolution?—I cannot state which director.

1868. Was there any discussion on that resolution?—As far as I recollect there were certain companies which were objected to as regarded their being brought under the headings here. There are seven companies here stated; and there was certainly some discussion with regard to others, as to whether money might be advanced upon their shares; that was so to the best of my recollection, and it was a general topic.

1869. Was not the policy of the measure at all discussed?—It must have been.

1870. Did you think it a wise or prudent measure to rescind the old resolution?—I was the servant of the directors, acting under them.

1871. You did not entertain any opinion upon it yourself?—I was simply the secretary under paid directors.

1872. Did any of the directors know of this practice which had previously existed, of lending money and taking share certificates in deposit for safe custody?—I cannot state what they knew privately.

1873. Was there any discussion upon the propriety of lending on shares, the calls upon which were not paid up?—Yes, I think there was, as far as my recollection goes, with regard to Port Cannings. I do not think that they were allowed. I think that that was the only discussion, as far as my memory serves me; there was a discussion with regard to them, to the best of my recollection.

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1874. Was there any discussion as to the propriety of lending money on the premia of shares? You see that that resolution authorizes you to advance on the premia of shares.—It does, on the value of each share.

1875. Was there any discussion on the propriety of advancing on the premia of shares?—Against it?

1876. For or against it, was there any discussion?—Not that I am aware of; they were all for it.

1877. Was there any discussion on the propriety of leaving it entirely to the secretary's discretion as to lending on such shares?—It was to be on Premchund's judgment; he was to bring the chief over, as far as I recollect; he was the consulting director.

1878. Was it said at the time of the discussion that Premchund was to be consulted; that you were to exercise your discretion subject to Premchund's opinion?—I think that it was, as far as my recollection goes; that it was only to be granted to first-class applicants; and Premchund said, that being stated, that he would take care that they were all first class; he was present at the board; that is to the best of my recollection.

1879. Cannot you recollect, now that your memory is refreshed about it, who was the author of that resolution?—No, I really cannot; it seemed general.

1880. Were you the author of it?—No, I was not.

1881. Was the chairman, Mr. Hannay, the author of it?—I have told you already that I do not know.

1882. Will you tell us why those particular companies were selected?—No, I really cannot; it was because they were considered good, I should suppose.

1883. And can you tell us why, having been selected, that selection was not subsequently adhered to?—No, I cannot; it should have been adhered to.

1884. Can you tell why it was, that the bank took the shares of many other companies in addition?—I cannot tell you now; I am not aware that that was done in any time.

1885. To go a step further, were you aware of any practice of lending money on the promise that when certain shares were bought with it, the certificates of those shares should be deposited as security?—Never.

1886. You undertake to say that that was never done in your time?—I never was aware of it.

1887. Do not you remember a loan to Messrs. Taylor, Diver, and Atmaram Madhowjee? Mr. Diver in his evidence makes the following statement, which I will read in order to refresh your memory. "Premchund also told me that the Bank of Bombay would advance money upon Bombay Reclamation Company's shares at the then market price until the 1st July 1865, upon a bill or note falling due then, or on the 30th June, I forget which, without any margin whatever. The joint promissory note of Mr. Taylor, Atmaram Madhowjee, and myself was to be given; Premchund told me that the bank was prepared to do it, and he would arrange it; I conferred with Mr. Taylor and Atmaram Madhowjee on the matter, and the promissory note was sent to us for signature; I forget who sent it; I think Mr. Blair. I never saw Mr. Blair about making the advance; I believe Taylor and Atmaram Madhowjee did not see him either. It was all arranged by Premchund."—Exactly.

The President continues to read from Mr. Diver's evidence as follows:—"I signed the promissory note; I was recommended by Premchund to do it, and I did it. I do not know what was done with the money. I did not see the share certificates. Twenty Bombay Reclamation Company's share certificates were to be deposited with the Bank of Bombay. It was represented to us that that security was to be deposited; the certificates of twenty Bombay Reclamation Company's shares. I did not arrange about lodging the security, but I understood that it was to be given. The bank lent the full amount for the purpose of the 20 shares being bought. I understood Premchund to have bought the shares, to have lodged the certificates with the bank, and to have received the money."

1888. (*President.*) Are you prepared to dispute the fact that that sum of 5,50,000 rupees was lent for the express purpose of buying shares, the certificates of which shares were to be deposited as security when bought?—Certainly, I am prepared.

1889. If such a practice was prevalent, would it not have tended to encourage the wildest speculation?—Certainly.

1890. And the security itself would have been insufficient, inasmuch as it would only have represented, at a very exceptional time, the money actually lent?—They were considered quite good for the amount when Premchund recommended the loan; in fact, so much so, that they had been buying Government property; they bought the Government house at Dapoorie, as I understood.

1891. Not at that time. Do you know anything about the monthly returns to Government, do you remember them?—Certainly.

1892. Did they set out the securities; you remember the form in which they were made?—They had the headings of the various loans at the top, on whatever security they were granted. Government paper, and railway shares with the Government guarantee, I think had a separate heading, and there was also one for personal security.

1893. "On deposit of Government securities," and "on deposit of other description of securities"; was not that the form of the return every month sent to the Government (*handing Exhibit* A 25[A] *to the witness*)?—Yes; but there was one additional heading as far as my memory serves me, namely, "on personal security."

1894. There is no other printed form than that?—But they always, I think, wrote "personal security."

1895. After Mr. Stuart returned, and became secretary again, he objected to that form, and then it was altered.—I am positive that "personal securities" was added to that. You will get the returns from the Government. I am positive of it. I was asking Mr. Robertson as to that, and he confirmed it. Our chief business was on personal security, I may say, after the Government paper was taken away.

1896. Did not Mr. Ravenscroft make an objection to you one day about this form?—I do not recollect Mr. Ravenscroft doing that. Was he a director of the bank?

1897. He was a Government director for four and a half years, and he deposed before us on the last day when we took evidence [illegible] to this form.—Then it would be in the minutes.

1898. It is not in the minutes; he did not say that he did [illegible] Are you prepared to deny the fact that he did object to the form? I do not recollect Mr. Ravenscroft ever mentioning the subject.

1899. Are you really prepared to say that the form was ever sent in to Government in any other shape than this (*referring to Exhibit* A 25[A])?—I am nearly positive that "personal security" was mentioned.

1900. But I want you to be quite sure.—It is not printed there, unless there were other forms, but I am nearly positive that I have seen "personal security" in the heading sent in to the Government. Perhaps Mr. Birch, who was accountant general at the time, will recollect. Our business was chiefly on personal security after the Government paper was taken away.

1901. There is no doubt that the heading of "personal security" ought to have been there?—In my impression it was.

1902. (*Mr. Melvill.*) Was the weekly statement a copy of this?—Yes, but more particular.

1903. (*President.*) What was the practice as to renewals during your time?—I do not recollect that there was any particular practice; it depended entirely on individuals.

1904. Was not the practice in fact to leave it entirely to the secretary whether notes should be renewed or not?—He had a discretionary power, certainly.

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1905. Perhaps we had better defer that until we come to another point, namely, your powers, and how you exercised them. How do you say that the powers of the secretary were defined?—I will look at the paper which I have in my hand in order to refresh my memory. This is the commencement of it, and I must read it. (*Witness read as follows*) The practice followed in 1860 to 1863 in granting loans, discounts, &c. was to send a circular to the Committee for the week, which consisted of two Europeans and one native director. One of the Europeans was a Government director. As the applicants were chiefly natives, the European directors were generally guided by the opinion expressed by their native colleague. The Government director could not know the means and standing of one in a hundred of the applicants, in fact he rarely knew them even by name. The mercantile director, of course, had means of information generally in his own office from the broker, but I do not know whether that source of information was often taken advantage of, as it might have led to the exposure of the bank's transactions, and the names of applicants for money in the native bazaar. So that, almost invariably the European mercantile directors agreed with the opinion of the native directors. The native directors were men who commanded the respect and enjoyed the confidence of the shareholders of the bank who elected them, and all elections were made by a general meeting of shareholders called by the regular advertisements in the Government Gazette and newspapers.

The foregoing is only my own opinion, but if the European directors are asked, I think that they will corroborate what I have said. Circulars have been returned, or minutes made, such as the following: "I do not know the applicant, ask the native director, and be guided by his opinion." So that involuntarily on my part, and with the knowledge of the European directors, all applications for advances from the natives were duly submitted to a native director. The private lists were discontinued about 1863, as it was found difficult to find out the standing of the natives, owing to the great changes which had taken place, in most instances from the enormous wealth which they had made from profits upon cotton. It was also well known that persons did not like their applications to be submitted to the directors, and they preferred going to the other banks, where it was not necessary to do so. Europeans especially did not like their transactions to be known by the mercantile directors of the bank, and therefore the bank lost a great deal of business. And greater power was then granted to the secretary to discount what he considered safe bills on the authority of one director only all the loans and discounts granted were on the recommendation of one or other of the directors. Lacs and lacs of bills were consequently purchased on Calcutta and Madras, where formerly little business was done, and great profit was thus derived without the loss of one rupee. This continuing all the time that Cowasjee Jehangeer Readymoney was a director, and while he was the means of bringing so much business to the bank, no loss was sustained. So much so that the system was naturally considered to work well, and on his retirement the bank was considered very fortunate in getting Premchund to succeed him; and even Cowasjee, when in doubt about any applicant for money, repeatedly asked me to refer to Premchund before the latter became a director, and, to the best of my recollection, said, in one of his notes to me, that Premchund knew more about the position of the natives of India, than any other man in the country.

1906. Then I understand you to say in substance that in the course of practice, finding little assistance from the European directors in ascertaining the credit of natives, you involuntarily adopted the system of applying to a native director?—Exactly. In fact I was obliged to do so. I had no other course.

1907. And you applied to Cowasjee Jehangeer for advice down to June 1864, when he resigned?—Yes.

1908. And after Cowasjee Jehangeer resigned, you followed the advice of Premchund Roychund?—Yes; with the knowledge of the directors certainly. The same system was therefore adopted with Premchund as with Cowasjee Jehangeer, and all loans and discounts recommended by him were at once accepted. So much good business was he considered to have brought to the bank, that when he resigned (that is Premchund) in 1864, he was requested

by the directors to reconsider his resignation, and he wrote in answer, saying, that he thought it better to resign, as at that time he was frequently absent from Bombay, but would at any time continue to give his advice, and bring the same business to the bank. The above, of course, is, to the best of my recollection, what was said by him. The foregoing was the acknowledged system from 1863 to 1865, when I left the bank.

1909. Then I understand that in point of fact during the latter part of 1864, and until your departure, you acted upon the advice of Premchund, and not upon the advice of the directors in granting loans; is that so?—Upon his advice, of course agreed to by the directors.

1910. It was agreed to by them that you should take his advice?—Certainly, it was acknowledged by them.

1911. In the latter part of 1864 and the beginning of 1865, believing it to be in accordance with the wish of the directors, you consulted Premchund as to granting advances, and were guided by his advice?—Certainly; in fact he brought all these.

1912. What did you suppose to be the limit as to amount of your power of making advances?—It was discretionary, there was no limit fixed. As I stated before, I have bought lacs and lacs of bills on Calcutta, 25 lacs at a time, and have never lost a rupee from that class of business.

1913. You were then in the habit of acting upon your own opinion?—On Premchund's opinion in purchasing those bills, certainly.

1914. You were in the habit of acting upon your own opinion supported by Premchund's advice?—Or another director.

1915. What other director did you ever consult between the 1st of July 1864 and the time of your retirement, which is the critical period in the bank's history?—I do not recollect that there were any other directors consulted. Premchund was the only one; he was the acknowledged consulting director then, on Cowasjee's retirement.

1916. Did you ever consult the chairman, Mr. Birch, as to loans?—As I stated before, you can hardly expect the Government directors to know anything about them.

1917. Did you ever consult Mr. Birch the chairman as to loans from the 1st of July 1864 till he went away at the end of February 1865?—I do not recollect having done so. Premchund or Cowasjee was the acknowledged consulting director. There is one thing which bears upon the point, and I will read it.

1918. I wish to know whom you consulted, and how far you acted upon the authority of the directors. Did you consult any other European director during that time?—I think that from the minutes you will see that.

1919. We find nothing in the minutes with regard to granting cash advances at that time.—No, but it rested upon the standing of individuals. Very few Europeans came to us, our business lay with the natives.

1920. Then you were not in the habit of consulting the European directors?—They could see the books, and the abstracts from them.

1921. Did you consult any directors, and if so, name them?—I do not recollect consulting any other than Premchund, or an acknowledged native director.

1922. Did not the chairman, Mr. Birch, attend at the bank regularly?—Regularly every Thursday, unless absent from Bombay.

1923. Did he only attend on Thursdays?—No; some of the directors may have come at another time during the week, but not as a general practice.

1924. Then as a rule none of the directors visited the bank except upon Thursday, the board day?—Very seldom.

1925. What were the duties of the chairman?—Is it requisite that a servant acting under the directors should state what the directors should do?

1926. I ask you what were his duties, as a matter of fact; you must know, having been long employed in banks, what were the duties of the President?

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—I cannot tell you; the general supervision of the bank certainly, to see that there was nothing wrong. The directors were the managers in fact, as is acknowledged in the charter.

1927. How could a great bank like this, with 2,100,000*l.* of capital, be managed by directors who only attended on Thursdays, except casually?—That lies not with me to state.

1928. Must not the result of that system be that the whole power of the bank would become vested in its officers?—No, certainly not, if there was an acknowledged consulting director, which was the case.

1929. The effect of the system was not to vest the management of the bank in the officers, but to vest it in the officers and one consulting director?—Yes.

1930. That was the real practical working of the system at the end of 1864 and the beginning of 1865?—Yes, and also in Cowasjee's time in 1863.

1931. Was not it a fact that you had implicit reliance on Premchund?—Certainly, it was acknowledged by every one, as is stated in that statement which I sent to you, everything is stated there as far as I recollect.

1932. Did it not go as far as this, that you actually gave him a book of blank forms of promissory notes to make use of, and to fill up with the names of the parties who desired to have loans from the bank?—I do not recollect having done so, he may have got it.

1933. This is the book (*handing Exhibit R. 2. to the witness*).—Yes, I know the form. Does he state that I gave it?

Yes.—It is very likely. As you have referred to the President, perhaps you will allow me to read this. The directors knew of the large loans granted, for I distinctly remember bringing the subject to the notice of the President at the board. He generally sat on my left. I sat on his right.

1934. Can you tell the time of that?—Yes, this will explain it; it was at the paying of the dividend in December 1864. I distinctly remember bringing the subject to the notice of the President at the board meeting when Mr. Lidderdale was so anxious to have the profit on the sale of the new property of the bank included in the dividend. The reserve at the time was under ten lacs; I said, "Recollect there are single loans granted for large sums, ten lacs," (referring to the one granted to Dr. Diver and the Camas,) and that the reserve ought to be largely increased, in which Mr. Birch agreed, and this in a great measure I thought was the means of getting the sum added to the reserve. On the breaking up of the board meeting I mentioned the circumstance to the deputy secretary, and the difficulty experienced in adding the amount to the reserve.

1935. The deputy secretary was Mr. Robertson?—His name was down as acting at the time, his room was adjoining.

1936. Almost all the directors tell us that they were quite unaware that these large loans were advanced on personal security. Is that the truth or is it not, according to your belief?—I should think that they knew, because the abstract book which contained all these transactions every morning was sent for their initials.

1937. You mean the daily book?—The little abstract book of the whole transactions of the preceding day, so that the large amounts must have been seen, and must have attracted their attention, and then they had all the books to ask for, and to refer to.

1938. I have no doubt that, if they had looked at the daily book, they would have seen, for instance, on the 19th of October, that on the 18th ten lacs had been paid upon Bombay bills, but was there anything in that daily book to show them that those monies were advanced upon personal security merely?—They were under various headings, such as "Cash Credits." No, it did not state particulars.

1939. Was there anything to tell them that no other security was taken?—No, it was a mere abstract book, so that they had the power of making inquiry if they were not satisfied.

1940. Did the directors know, as a matter of fact, that you were advancing money either on loans, cash credits, or discounts for large amounts like five lacs and ten lacs, upon personal security merely?—They must have known it from what I have read here of what occurred at the board meeting.

1941. That is something to the point, but have you any other ground for saying so?—That is a pretty strong one, I think.

1942. Why were not those large loans mentioned in the application book?—They should have been, certainly.

1943. But why were they not?—It must have been an omission of those who had charge of it.

1944. Was not that the book which was laid upon the table at the directors meetings?—It was one of them.

1945. Then why did not these large loans appear in that application book?—As I have stated, the entering clerks must have been blameable for that omission. I was never aware of it until I arrived in Edinburgh four months ago.

1946. Was not it your duty to see that it was properly kept up?—Certainly not; it was for various parties. I could not have my eye everywhere. Very often it was not sent up to me till I was going to the board.

1947. Did not you begin by telling us that all loans upon personal security down to April 1865 were entered in the application book?—I understood that they were all entered there.

1948. Then if they were omitted it must have been done by some designing person without your knowledge, though you were the head of the establishment?—I will not say by a designing person; they must have been omissions.

1949. Can you account for any person omitting them honestly?—I cannot make it out, because every person in the bank, every clerk, knew of these transactions; it was openly done, and there was no secrecy in the transactions, and so much so, that on my return from Ajmere, on understanding that the constituents of the bank at the branches were endeavouring to obtain money at other branches, to which they had no right, I had a large book made up in the directors' room, with every individual who had had money from the bank; every rupee was entered, so that they could see in a moment who had had money.

1950. Where is that book?—It was in the bank. It was written up there. It was a large book.

1951. We asked for it, and they assured us that they never had any such book.—Mr. Duncan wrote it up in the directors' room.

1952. When was that?—When I returned from Ajmere. I returned on the 14th of March 1865. I am only showing that there could be no secrecy, because every one in the bank knew of these transactions.

1953. It is very singular that we should not have seen that book.—It was a very large one. Every individual who had had a rupee from the bank was mentioned in the book.

1954. (*Major Innes.*) Can you tell us the name of the book?—It was a general sort of ledger. It was a ledger for the use of the directors and the secretary, to see at a glance each individual who had had money from the bank.

1955–6. (*President.*) If that is the case, how can you account for it that Mr. Foggo should say that he never knew of such a thing as a cash credit being granted on personal security? When was Mr. Foggo there?—He was there till the end of December 1863.

1957. How do you account for it that Mr. Brown says that he never knew of these loans till June 1865; and how do you account for it that Mr. Lidderdale says that he never knew of them until just as he was going to China in May 1865? How can you possibly reconcile those statements with your present statement, that you had a book made up showing all these outstandings?—All that I can say is that they should have seen them, or made themselves acquainted with them. It was not the work of a day.

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1958. It is very singular that we should never have been able to see this book, we have had every book before us?—You will find, I think, that Mr. Robertson will corroborate the existence of that book, and that Mr. Hannay will acknowledge having seen that book himself on the last day that I attended. They should have seen it. If you had asked for it I daresay that you would have got it.

1959. We asked particularly whether there was any book showing the outstandings of the bank, and were always told that there was no such book. —Not only so, but on the declaration of every dividend, a full statement was made, with the name of every individual, and the advances which had been granted were stated before the dividend was declared. A balance sheet of that was laid before the directors, and also a statement as to all the branches.

1960. (*Mr. Melvill.*) And particulars of the securities?—The securities were in the hands of the auditors; they had all the securities.

1961. (*President.*) Did this statement show the securities on which these sums were outstanding?—I think that it had the heading "Cash credits on personal security," which are particularized. There were lists for discounts, and lists for loans of various sorts.

1962. Do you really mean to say that those gentlemen were speaking inaccurately, to say the least of it, when they said that they had no notion that large loans on personal security were being made?—I do not mean to make any assertion of the kind.

1963. (*Mr. Melvill.*) Had they not a right to expect them all to be entered in the application book?—I doubt very much whether the applications are very often recorded. I tell you honestly that until I came to Edinburgh I was not aware that the loans were not all in that book; they certainly should have been, and I have a statement bearing on that point which perhaps you will allow me to read.

Witness proceeded to read as follows:

"There was no intention of secrecy. The abstract book was regularly sent round to the directors every morning, and it contained a summary of the whole of the preceding day's transactions; so that the full amounts of loans, cash credits, and discounts daily granted, were seen by each director every day; and if any of the amounts had appeared too large, or any information whatever regarding any of them, had been wanted, the particulars would at once have been given of the various items, or any of the directors could have examined any of the books themselves at any time they wished, as the whole of the books were open to every one in the office, and every transaction was seen by the clerks of the bank; and the books containing all loans granted, and bills discounted, were laid on the board table every Thursday when the directors met (and this refers to the book which I have mentioned); and to make certain that every thing was in order, on my return from Ajmere I ordered a ledger to be made out, and to be written up daily in the directors' room, so that the exact amount due by every one owing money to the bank, embracing the amounts due at the branches also, and at the head office, was shown, and the directors and secretary could at a glance see the full amount due by every debtor to the bank."

1964. (*President.*) The point to which I have directed your attention is not answered by that. I am asking whether the directors knew that those large loans were advanced on personal security; and if you read your statement over and over again you will find that it does not answer that question. It says that a ledger was made showing the amounts due, but it does not state that it showed that they were lent upon personal security.—I think that what I read to you as to the discussion about the dividend shows it.

1965. That one point I admit is an answer; but there is a book which you say was made up, showing that the directors knew that the money was lent on personal security.—I do not say that, but I say that there was no secrecy.

1966. What I want to know is whether there was secrecy on that one point, namely, as to loans being made on personal security? You will see by

this daily book (*referring to* A 8.) that it gave the directors no information upon that subject whatever.—I simply say that the largeness of the amount should have shown them.

1967. That is a point which we have put to all the directors. Was there anything in that abstract account showing that the loans were on personal security?—Not in that abstract book certainly.

1968. We will now turn to the subject of the branches.—Will you allow me to make an observation with regard to another point, with respect to the directors' knowledge? I have it here. (*Witness read as follows.*) "When I left Bombay in April 1865, Premchund was generally supposed to be immensely wealthy and very prosperous, and I had every confidence that in recommending loans he was quite disinterested, and had the prosperity of the bank at heart. He and his father had been the brokers to the bank for many years, if not from the time the bank was opened, and there never was a rupee lost to the bank that I ever heard of from any transactions with them. I think also that Premchund was the holder of a large number of shares in the bank. I feel perfectly certain that the European directors, both Government and Mercantile, held in 1864, and the beginning of 1865, the opinion of Premchund's character which I did, and that they were satisfied it was a wise plan to follow his advice in business. They knew that he was almost hourly consulted when a director, and recommended almost every advance which was made, and no objections were raised by them. At the same time all the advances and discounts were entered in the books of the bank, which were accessible to the directors daily. The Financial Secretary never found fault with what had been done, and it would have appeared in the minutes of the board meetings if it had been so. On the contrary, the board were entirely satisfied with the prosecution of the business, and they, on two occasions, increased my salary without application from me, indeed on the first occasion of the increase I was at Kurrachee, opening a branch there. If any of the directors had objected to any portion of the business transacted, it would either have appeared in the minutes of the board meetings, or the directors would be able to refer to letters or documents to prove their assertions, and their inability to do so proves their assertions to be mere after-thoughts."

1969. All that would be very important if you could really show that they knew that you were lending money on personal security. You have stated one point which is very material on that matter. We should like you to give us more evidence on that subject.—I was in daily communication with one of their body, namely, Cowasjee Jehangeer; we were in daily communication with Cowasjee, we saw Premchund every other day. It was the great business, and I have not the slightest doubt that they all knew of it.

1970. We will turn to the question of the branches. What instructions did you give to the agents of the branch banks?—I think that there were printed regulations sent to each of the branches, so far as I recollect, but the branches were opened at so many different periods that I hardly remember.

1971. That is the form (*handing Exhibit* A 69 *to the witness*)?—Yes.

1972. Those regulations refer to mere questions of account, except one item?—Yes, and the way to conduct the branches, so far as I recollect.

1973. The fourth is the one which refers to granting cash credits and discounts and loans. Was this blank ever filled up?—I think that there was at one time an amount fixed, but I do not know that it was put into the printed forms. I think that the branches were advised never to grant more than two lacs to one person at a time, as far as my memory bears me out.

1974. To whom did you send that advice?—To each of the agents, I should think.

1975. Then are you prepared to contradict two branch agents whom we examined, namely, Mr. Bullock and Mr. Fraser, who both said that that blank never was filled up, and that they never had instructions as to the limit?—It was never put in this form.

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1976. Are you prepared to contradict those two gentlemen?—I am not prepared to do so without looking over all the letter-books. Their two branches were about the last.

1977. Kurrachee was not one of the last. Mr. Fraser was agent at Kurrachee in your time.—Yes, that was about the first, but Cowasjee always said that the agents were responsible for what they did themselves. At the time that I was in the bank a loss occured at Belgaum of some 20,000 rupees, and Cowasjee said "The secretary has nothing to do with that, that is for the branches."

1978. Was there a discount list prepared at each of these branches?—There was originally, but it is not upon my note, it was for guidance as to the amounts passed by Cowasjee, but it was constantly revised.

1979. I find this "A second list of the Sowcars and Shroffs was revised by Premchund, and a copy forwarded to Surat on the 14th instant." That occurs on the board minutes of the 3d of October 1864, so that he revised the discount lists of the branches, or some of them?—Yes, he or Cowasjee.

1980. Premchund was not a director then, he had resigned in September.—But we referred to him, as I stated before. Cowasjee referred to Premchund.

1981. Did not the directors find it rather troublesome to revise the lists of these branches?—I do not know that, Cowasjee and Premchund had always their own people.

1982. Do you remember this letter being sent to the Hyderabad Branch (*handing Exhibit* A 75 *to the witness*)?—Yes, I recollect it, it was in 1863.

1983. This is what the directors then wrote "In returning the revised list of names of bankers and others at Hyderabad and elsewhere, I am to point out that the information we have been able to obtain here is, to a certain extent, uncertain, and that the directors consider that the agents have better opportunities of ascertaining the means of persons in their neighbourhood. Persons who have been stated to be worth 'any amount' have been fixed at a maximum of three lacs, that being, in the opinion of the directors, sufficient credit at one time for any person." So that instead of two lacs the limit was three lacs.—I was only speaking from recollection.

1984. The letter proceeds as follows, "Except in special cases, in which the agents are at liberty to exercise their discretion."—When was that written?

1985. On the 22d of September 1863?—I recollect seeing the letter, but I think that I was at Poonah at that time, as I stated before.

1986. But you never objected to this letter?—Certainly not.

1987. It is stated that the agents had better opportunities of ascertaining the credit of the parties than the directors had?—Yes.

1988. Although there was to be a maximum of three lacs, yet in special cases the agents in their own discretion were to be at liberty to increase that amount. Did you think that a wise or proper communication to have sent to the branch agents?—That is not for me to state, that must have been for the directors.

1989. You think that the directors ordered it?—It must have been so; is it not so stated there?

1990. This is a communication from the officiating secretary.—The Directors must depend entirely upon their agents.

1991. We are, therefore, not suprised to find that after that the revised discount lists were discontinued.—I do not recollect, but the standing of people had so changed, that it was of very little use to adhere to the former lists. I allude to the original lists on starting the branches.

1992. After that, instead of revising the discount lists, you sent the agents instructions to consult some person at the branches, just as you consulted Premchund in Bombay, did you not?—Have you that on record?

1993. I will show you two letters (*the witness was here referred to Exhibits* A 77 *and* A 78.)

(*Witness.*) It was Premchund who advised that, he being a director.

1994. (*President.*) So that that was the system, you got some adviser to advise the agents at the branches.—Yes, to assist him. Premchund was a director at that date, in January 1865.

1995. Did you examine the weekly returns which were sent up from the branches?—It was impossible for me to do so, that was in the accountant's department, and anything wrong would have been represented either to the deputy secretary or to myself.

1996. You did not think that it was a part of your duty to inspect those weekly returns?—It was simply an impossibility. It very often took me to open the letters from 10 o'clock to 2 in the afternoon. I entered every enclosure received.

1997. Might not that have been done by somebody else?—Possibly, but that was the system.

1998. Those weekly returns did not show the securities, did they, upon which the money was advanced?—I do not know that they did.

1999. Did you look at the monthly returns?—I generally glanced at some of them to see what profit there was; to see what they were doing.

2000. The supervision of the branches was left, I understand, by you to the Inspector of Branches?—Yes, and the accountant's department.

2001. Were these monthly and weekly returns ever brought before the board of directors?—Yes.

2002. When?—At Mr. Inverarity's request, when he was a director.

2003. Was it the practice to lay them before the board after he retired?—I have seen them; I do not know that it was regularly continued. I remember that on one occasion he asked for them, and that they were brought up for his examination; but so many books were brought up.

2004. Mr. Inverarity last sat at the board on the 12th of November 1863. Do you remember those monthly or weekly returns ever being laid before the board in the latter part of 1864 and the beginning of 1865?—I do not recollect. They were always received on a Monday.

2005. Had the Inspector of Branches any written instructions as to what he was to do?—No, I think not; he had not been appointed long enough.

2006. Did he regularly visit the branches?—No.

2007. Mr. Fraser told us that when he was agent at Kurrachee, the Inspector of Branches never visited the branch at Kurrachee, is that true?—That is very likely.

2008. We have it also in evidence that the branch at Hyderabad never was visited?—It was visited by Mr. Robertson.

2009. I mean by the Inspector of Branches?—He was acting as inspector, as well as accountant.

2010. Did not he go there to open that branch? Did he afterwards inspect it?—It was the only time that he was there; the agent was there at the time.

2011. I ask you whether the Inspector of Branches ever went to Hyderabad to inspect that branch?—Not that I am aware of, except at that time.

2012. Is it not the fact that the Inspector of Branches generally remained at the head office, and never went to the branch offices unless something was wrong?—All those statements can be referred to. It was so expensive to send inspectors through India, that I fancy that it was not necessary unless something was really wrong, because everything was going on well.

2013. Had the Inspector any instructions given him when he went to any of the branches when something was wrong?—I do not think that there was any rule.

2014. I suppose that you are aware that there has been a heavy loss at these branches?—Yes, I believe that there has been.

2015. At all of them?—No, some have not lost anything, they were mostly those connected with cotton.

2016. We will come to the Kalbadevi branch; can you tell us the object with which that branch was established?—Chiefly to bring business to the

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bank; that was the idea of the directors; Cowasjee Jehangeer chiefly wished it, so as to be an assistance to the natives in that part of the town.

2017. Was it meant to be a mere current account office, or for regular business, and for making advances?—It was for regular business the same as any other branch; that was the intention, so as to make it pay if possible.

2018. Do you remember any doubts being expressed as to the power to open a branch in the town of Bombay?—No.

2019. Did you, or did anybody else, remark the wording of the section of the Act, which provided that branches might be opened out of Bombay only?—No, I do not recollect any such observation being made.

2020. You do not remember any legal opinion being taken as to the power to open a branch at Kalbadevi?—I do not.

2021. By whom, generally, were the agents of the branches appointed?—They were sent out from home, they were picked and trained men, for that purpose.

2022. By whom was Mr. Bullock appointed; he did not come out straight from England?—No; he was appointed by Cowasjee Jehangeer.

2023. He was in the Bank of Bombay before?—Yes.

2024. What experience had he had in banking before he was appointed agent at Kalbadevi?—I do not know, except what he had learnt at the head office.

2025. What situation did he hold at the head office?—I really do not remember; I think that he had been in various departments.

2026. He was a clerk?—He was an assistant or a clerk.

2027. Were any instructions given to him when he opened that branch at Kalbadevi?—That I cannot recollect. I should think that he would get the printed regulations.

2028. Were any instructions given to him to consult any particular person as to the credit of the individuals requiring advances?—I think that Cowasjee used to attend there regularly. I used to see him sitting at the office.

2029. That could only be for a month.—Premchund would succeed him; but as far as I am aware Mr. Bullock had no instructions from the head office.

2030. Mr. Bullock has distinctly shown that you instructed him, and it appears from the correspondence.—It may appear.

2031. Did you instruct Mr. Bullock to apply to Premchund?—That is very likely.

2032. I find that Mr. Bullock was reprimanded in a letter written by Mr. Rodgie, in your absence, on the 9th of February 1865, but after receiving his explanation Mr. Rodgie, on the 22d of February 1865, wrote to him, as follows: "I am in receipt of your favour of 11th instant in answer to "our letter of 9th. We are glad to learn you availed yourself of the reliable "information to be obtained from Mr. Premchund Roychund, before you dis-"counted the major part of the bills referred to in our letter mentioned "above." Have you any doubt that Mr. Bullock was directed to put himself in communication with Premchund?—There is no doubt they addressed that circular, but I was absent.

2033. I believe also that you were in daily communication with Mr. Bullock?—I was not aware of it. In what way?

2034. He was in the habit of coming to you and asking your advice, and consulting you.—Do you mean from his branch?

2035. Yes.—Not that I am aware of.

2036. He was not then in the habit of coming to you?—Certainly not.

2037. Was not he considered in a more especial way under you. Was not his branch a sort of sub-office of the Bank of Bombay, and was he not under your guidance?—It was a regular branch when I returned from Ajmere. I understood that he was not obeying instructions, and he was written to to refer everything to the head office in future.

2038. In April 1865, or the beginning of May, you put a stop to the business of the branches by telling the agents to remit to the head office all the cash balances, and also not to discount beyond a certain amount?—Yes, that was as to new business, so far as I recollect. It was upon that representation.

2039. You knew, I suppose, at the time, that Premchund was consulted by Mr. Bullock?—Yes. It was in the part of the town in which Premchund resided, and he was a director then in 1865.

2040. Did you know that Premchund Roychund had considerable influence in that branch?—In what way?

2041. To be more particular. Were you aware that his father was lending money to Mr. Bullock, the agent of the branch?—No, I never heard of it until this moment.

2042. Surely you have read the evidence which was given before us in India?—No, I have not. I have acted upon Mr. Paget's advice to keep very quiet; the only thing which I have read was one thing which was brought to my notice where Mr. Melvill had asked whether it was not a subterfuge referring to something which I had done.

2043. Were not you aware that Mr. Bullock was in debt to Roychund Deepchund?—I never heard of it. I was not aware of it.

2044. I believe that there was no new business done at the branches until after you left. . You put a stop to it before you left?—Yes.

2045. All available cash balances were sent up to head quarters just at the time when you left?—I am not aware; the order was simply not to go into new business.

2046. We find that on the 28th of March 1865, Mr. Rodgie wrote to Mr. Bullock to this effect: "Dear Sir, We will feel obliged by your exercising at present the greatest amount of caution in your business generally, and in particular avoid all transactions with parties doing business in the Fort. Those who call on you may easily be referred to head office; in the case of all renewals and special bills we will be glad that you refer to us before renewing or discounting." There is another letter of the 21st of April 1865, as follows: "Dear Sir, Please note for your further guidance that without the sanction of head office you are not authorized, for the present, to advance on one party's name more than 20,000 Rs. at a time, and even for this amount we wish you to obtain collateral security, if at all possible." Afterwards there was another letter directing the agents to send in all available cash, which of course would put a stop to further business.—That was on the 29th of April 1865.

2047. There was a loss of 19 lacs at the Kalbadevi Branch alone, and there was a loss at all the other branches more or less, at some six lacs and at some two lacs. Have you any explanation to give us how this state of things came to pass?—It was I imagine from the general collapse at Bombay among the natives; all our business was amongst the natives.

2048. You have no special explanation to offer? We wish to give you every opportunity of explaining all these things which occurred during your administration.—No.

2049. One of my colleagues points out that in the notice which you gave of opening the Kalbadevi Branch you departed from the usual form of notice; that formerly you said "under the provisions of section 41 of Act 10 of 1863," but that when you issued the notice for opening the branch at Kalbadevi, you did not follow that form, but gave the notice in these words: "It is hereby notified that under the provisions of Act 10 of 1863" (*without referring to the section*), "a branch of the Bank of Bombay will be opened on Monday next." "By order of the board of directors. James Blair, secretary and treasurer." Was that change at all the result of your having some doubt about the applicability of section 41 to the Kalbadevi Branch?—I was not aware that any change had been made.

2050. (*Mr Melvill.*) Section 41 of the Act only permitted you to open a branch bank out of Bombay, and reference to this section was omitted, and

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it was put generally in the notice "under the Act 10 of 1863;" that change of form was not by reason of any doubt as to your powers?—I understood that we had full power.

2051. (*President.*) You have put in a written statement of all the allotments of shares which you have received, as to which we have asked you whether it is true, and it is now part of the evidence in the case. I should like to ask you a few questions as to some of them. It appears that you received an allotment in the Bombay Joint Stock Bank, afterwards called the Asiatic Banking Corporation. Were not you aware that you were prohibited by a clause in the Act from being engaged in any other mercantile pursuit or bank?—I did not consider that to be an infringement of the Act, it was simply investing my own money.

2052. Do you consider it right or proper for you to have become a shareholder in a rival bank in your own town?—It was an exchange bank.

2053. No doubt an exchange bank carries on a great deal of business which the Bank of Bombay could not have done, but still exchange banks carry on other descriptions of banking business also.—The directors advised me to apply for those shares, Cowasjee Jehangeer advised me to apply.

2054. Do you mean to say that any other director advised you to apply for shares in the Asiatic Bank?—No, I think not.

2055. To whom did you apply for them?—I really forget; to the Company itself, as far as I recollect.

2056. To whom did you apply for your Elphinstone Land and Press Company's shares?—I purchased them as an investment.

2057. There were two shares allotted to you in the Bombay Shipping Company, to whom did you apply for those?—I think that an allotment letter was sent to me without any application at all.

2058. It was sent to you as a bank manager?—No, not as the bank manager, but simply as a friend, I suppose.

2059. Ten shares were allotted to you in the Iron Ship Company, from whom did you get those?—I applied to the company as for an investment, and I held them to the last, and the Shipping Company's shares also.

2060. The question is, whether they were not all at a premium in 1864?—Yes, they were at a very high premium, and I did not sell them.

2061. To whom did you apply for, and from whom did you get these ten Iron Ship Company's shares?—The company itself, upon my application, in the same way as any shares here.

2062. From whom did you get your ten shares in the Goa Coffee Company?—From the Company.

2063. Did not you apply to any director?—I was asked by one of the directors to put down my name.

2064. Who was the director?—Mr. Steel.

2065. Was not it a very great favour to get one of those allotments? It was a present of so much money, and if you had gone into the market the next day you might have realized the amount.—I did not do so; it was an investment.

2066. Who allotted to you your shares in the Mazagon Land Reclamation Company?—It was in the same way.

2067. You applied to the Company?—As far as I recollect.

2068. Did not you apply to Premchund for those shares?—No, I did not, as far as I recollect, but simply to the Company.

2069. He says that you applied to him for them?—I never applied to him as far as I recollect.

2070. Do you mean to say that you took no trouble at all to get those shares?—I simply applied to the Company.

2071. Two shares in the Frere Land Company were allotted to you; to whom did you apply for those?—Just in the same way, as an investment.

2072. Did not Premchund ask for those shares for you?—It is very likely that he may have done so.

2073. You state that in the Bombay Warehouse Company one share was allotted to you. To whom did you apply for that?—I do not recollect. Very often letters of allotment were sent to me.

2074. You received 200 shares in the Bombay Gas Company; to whom did you apply for those?—That was an investment which I kept too.

2075. But 200 shares were allotted to you; to whom did you apply for those?—To the Company. I think that it was Fulcher, Cooper, and Company.

2076. Cooper was afterwards a borrower from the bank?—Was he? I thought that they lost nothing by him.

2077. Very largely. Who allotted the shares in the Bank of Surat to you?—It was done during my absence.

2078. But who allotted the shares to you?—I asked Mr. Robertson about them, and he said that Premchund had advised him to take them; that it was a good thing.

2079. Premchund allotted those shares; he was the absolute governor of that bank?—I know nothing about those shares being allotted to me till I went out in 1867. I had so much to do in the bank.

2080. Did not you pay the call?—Mr. Robertson did it for me.

2081. Had not you an account with Mr. Robertson?—He acted for me.

2082. We have his letter showing that he paid the call for you?—Exactly, out of my money.

2083. Then he had an account with you?—No; he operated on my own funds by cheque, as far as I recollect. He had my power of attorney.

2084. If he operated on your deposit account by power of attorney, you must have seen it directly you returned?—I did not look into my account. I had so many other things to do that I did not pay much attention to it, unfortunately.

2085. Then you really did not know to whom you were indebted for these 30 Bank of Surat shares?—To the Company, I should say. I was not obliged to them for them.

2086. You might have sold them immediately?—I was not aware until I went back to India in 1867 that I had such shares.

2087. Thirty shares were allotted to you in the Alliance Financial Association; to whom did you apply for those?—They were allotted to me.

2088. You did not apply to any of the directors of the Association?—No.

2089. You mean that they were sent to you without any application?—Yes, so far as I recollect, except it was just an application to the directors.

2090. How do you account for the fact that these shares, mostly at a high premium, should be sent to you without any application; what was the object of it?—Were they at a high premium when the allotments were sent to me?

2091. Yes, we have very distinct evidence of it.—I did not take advantage of that.

2092. You say that you never applied for them; how came they to be sent to you?—I applied for several.

2093. But the others were sent to you without any application?—Even if I had applied for them I do not see any harm.

2094. How came they to be sent to you if you never applied for them?—I cannot state that.

2095. Was not it from your position as secretary and treasurer of the Bank of Bombay?—I cannot say that; it may have been very likely.

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2096. Can you give any other reasonable explanation of their being sent to you ?—They very likely considered that I was a good holder of shares, and I can prove that so far.

2097. I have no doubt whatever that you held very much to your loss, but that is not the point; you might have realized an enormous fortune if you had only sold at the time.—I did not.

2098. In the Asiatic Financial Association 25 shares were allotted to yu . by whom were they allotted ?—On application, I presume, by the Comp any No, I think that Mr. Frazer, one of the directors, holds shares in that Company.

2099. You sold those shares at a small premium ?—I think so.

2100. From whom did you get those shares ?—From the Company.

2101. Whose influence did you use to get them ?—I never used any influence at all.

2102. They came to you as secretary and treasurer of the Bank of Bombay ?—No, they simply came to me as James Blair.

2103. In the Financial Association of India and China 100 shares were allotted to you on the 6th of June 1864 ?—Yes.

2104. From whom did you get them ?—I applied for them in the regular way.

2105. To whom did you apply ?—To the Company.

2106. Not to any particular director of the Company ?—Not that I am aware of. I did not know them.

2107. When did you sell those shares ?—Very soon afterwards.

2108. At a very high premium ?—I think so.

2109. In the Mofussil Press Company 23 shares were allotted to you, and you purchased some more. From whom did you get that allotment ?—The Company.

2110. Did you apply to any member of the firm of Nicol and Company ?—Not that I am aware of.

2111. Not to Mr. M'Ilwraith ?—I forget. I may have done so.

2112. From whom did you get the Back Bay shares ?—I got them in the regular way, by application for an investment.

2113. To whom did you apply for them ?—The Company.

2114. You know that all the applications for shares went to the promoters ?—Yes.

2115. To which promoter did you apply; did you apply to Mr. Scott, or Premchund, or Cowasjee ?—No, simply the promoters. I recollect Mr. Scott stating that it was of no use applying, except in the regular way, to the promoters, and those shares were not sold.

2116. One share was allotted to you in the Asiatic Trading Company ?—That was while I was away.

2117. You received it from Premchund Roychund ?—I do not know; I thought that it came from Ritchie, Stewart, and Company.

2118. In the Port Canning Company you had two shares. How did you get those ?—I think that they were sent to me. I do not recollect.

2119. You never applied for them at all ?—I really forget.

2120. Those shares were at a premium of 8,500 rupees each at the time ?—I forget.

2121. You admit having received these numerous allotments of shares from all these Companies. Do you think that it was right and proper for you as secretary of the Bank of Bombay to receive them ?—Certainly, as an investment.

2122. Whether they were investments or not, those shares being at a premium at the time, do you consider that you were doing your duty to the Bank of Bombay in laying yourself under obligations to the promoters of

these different Companies ?—I do not consider that I was laying myself under any obligation, but that I was simply investing my own money.

2123. You did not consider that you were laying yourself under an obligation to people who were giving you allotments which you could take the next day into the market, and sell at a high premium ?—I fancy that they were too glad to get me.

2124. Why should they have been glad to get you ?—To prevent pressing shares into the market to be sold. I held them.

2125. Can you hesitate for a moment in saying that the real reason was because you were secretary and treasurer of the Bank of Bombay ?—I do not know what their intentions were.

2125 *a*. Can any reasonable man doubt that ?—I am not sure that they might. When I left Bombay I believed in the soundness of the business of the Bank of Bombay, and I invested all my money at the time.

Adjourned to Tuesday, at half past 11 o'clock.

Tuesday, 17th November 1868.

PRESENT :

President.
Sir CHARLES JACKSON.

Member.
Major McLEOD INNES.

Secretary.
F. D. CHAUNTRELL, Esq.

Mr. JAMES BLAIR further examined at No. 90, Richmond Road, Bayswater.

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(*Witness.*) I wish to correct a statement which I made yesterday with regard to the scroll minute (*Exhibit A* 48) of the 2d of June 1864. I stated that I thought that the handwriting of the second page was Mr. Ryland's; I think that it could not be his, for, as far as I remember, he was at home at that time.

2126. (*President.*) In whose handwriting do you say it is?—It is difficult to say; it must have been Mr. Robertson's, I think, as he was acting after Mr. Ryland. I am positive that Mr. Ryland was away at that time. I intended going home at that time myself, and Mr. Ryland, being a married man, asked that he might be allowed to go instead, so that I am positive that he was absent at that time. The granting of these cash credits was long considered by the board before the resolution was passed, and the resolution must have been confirmed by the minutes of the 4th of June.

2127. I find that there is an omission in your list of allotments (*Exhibit marked Y* 2). You obtained an allotment of two United Victoria and Colaba Company's shares?—I was not sure about it; I asked Mr. Robertson about it; I was positive that I had two, and he said that he was not sure. I think that I must have had them, because he got two and I got two also.

2128. I have seen the entry of them in the allotment book of the company. —They were sold at any rate.

2129. We have a letter from Mr. Robertson enclosing a cheque for their payment.—My affairs were carelessly kept; I must also have had 100 shares of the Bank of China, and they were sold.

2130. In looking over this schedule (Y 2) I find that the Two United Victoria and Colaba shares are omitted, and that the Bank of China shares are also omitted.—With regard to loans,—soon after the regulation as to government paper making interest thereon payable in London came into force it was found very difficult to obtain any to make advances on; very little paper comparatively was held by the natives in Bombay, therefore everything was transmitted to England in exchange operations, and very little was sent to the bank for advances, although every inducement was held out for doing so at low rates. It was the same with regard to advances on railway shares, so that the bank business depended chiefly on discounts and advances on personal security.

2131. I yesterday asked you about a loan of rupees 6,25,000 to Cursetjee Furdoonjee, and I asked you whether you had ever lent money on long loans, and you did not seem to recollect that you had done so.—I do not recollect it.

2132. Here is a letter of yours to Premchund on the 4th of January 1865; that is your handwriting, is it not? (*showing Exhibit A* 37 *to the Witness.*) —Yes; but what was my statement yesterday?

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2133. That you did not know that these long loans were made.—But this does not show that it was upon shares.

2134. Does it not show very distinctly that the share certificates were to be deposited for safety?—Yes.

2135. Here is Premchund's answer written over leaf (*Exhibit marked A* 103).—That was Premchund's agreement.

2136. That was a loan for a very long date, more than six months.—It was payable at the bank at any time.

2137. Nothing of the kind; look at the bond (A 51). It appears that you were a party to that transaction.—It would have required a proper stamp if the loan was for six months.

2138. Whether properly stamped, or not, there is your agreement for the loan from the 28th December 1864 to the 1st July 1865.—I did not recollect it. The new charter did not prohibit long loans.

2139. That is not my point. I find great fault with the new charter, but I am not adverting to it now; I only want to know what your practice was under the new charter.—(*Witness reads from his notes as follows*): "With the prospect of money becoming more plentiful, and the value consequently much lower, together with the great opposition the bank was certain to meet with for discounts &c., Premchund strongly urged the necessity of the bank advancing a few large loans to individuals of acknowledged wealth at good rates, but with the distinct understanding that the loans were to be repaid whenever the bank should wish to have the money, consequently the loans were made payable on demand."

2140. That is not an answer to my question.—This bears upon the point (*reads again as follows*): "There was also taken into consideration the increased capital upon which dividends had to be made." I wish to show you the reason. It was in order to get some interest for the shareholders money.

2141. That is quite another point; I am going to ask you about that. The question which we now wish to inquire into is as to your purchases and sales of shares during the time that you were secretary. Before I go into that, however, I want to ask you one other question. Was Mr. Birch aware that you were receiving allotments?—I should think that he was, as well as all the other directors.

2142. There was no concealment whatever on your part?—Certainly not, and no intention to do so. In the several companies in which I held shares I took no interest in their management, and made it a point not to attend any meetings of shareholders. When urgently solicited to vote at a meeting of the shareholders of the Elphinstone Land and Press Company, I refused, on the ground that as Secretary and Treasurer of the Bank of Bombay I could not, consistently with my duty to the bank, take any interest in the management of the Company. I held the shares simply as an investment, and had been offered upwards of a lac and a half for each of the two old shares, but refused to sell them. I heard afterwards that the subject had been mentioned to the President, Mr. Birch, and that he said that I was perfectly right,—that alludes to not attending any meetings; therefore he was cognizant that I held shares. It was at the time when other Companies were anxious to purchase up the Elphinstone Land Company for amalgamation.

2143. You say that the other directors were aware that you were receiving allotments?—They must have been. I think you will find that yesterday I stated that some of the directors had given me shares.

2144. The native director Premchund.—No, the European directors.

2145. You mentioned Mr. Gavin Steel. Did any other European director of the bank give you any shares?—It was all stated yesterday, as far as I recollect.

2146. You mentioned that Mr. Gavin Steel gave you some, but did any other director ever give you any shares?—I do not recollect particularly, except that Cowasjee Jehangeer, I remember, advised me to purchase some at the very first.

2147. And Premchund?—Very likely, he may have done so, of course, too.

2148. Did not you know that Mr. Birch was receiving allotments of shares? —Yes; he had received one at any rate. The Back Bay allotment.

2149. I believe that he gave a power of attorney to you?—I am not aware of it. For what purpose?

2150. Mr. Birch admitted it himself.—(*Mr Birch.*) I quite admit it.

2151. (*President to witness.*) Mr. Birch gave you a power of attorney to sign allotments which he received?—

(*Mr. Birch.*) May I say one word? You do not put the case exactly as I put it; I said that it was a special power for one particular purpose.

2152. (*President to Mr. Blair.*) Was special power given to you by Mr. Birch to sign for his Back Bay shares?—I do not recollect. Was it in the secretary's name or the deputy secretary's?

2153. It was in your name?—Did I sign?

2154. You executed the Memorandum of Association of the Company for Mr. Birch?—Then it is undoubted, but I do not recollect it.

2155. Did you ever advise him about allotments?—I am sure that I do not recollect. I do not think that it is very likely that I should advise my senior.

2156. Did he ever consult you about allotments?—I do not recollect; he may have done so, or not.

2157. Did you ever give him information as to where allotments were to be had?—I do not remember; he would know that himself.

2158. But I am asking you. We have the same power as one of the Justices of the Court of Queen's Bench to ask these questions. I want to know how far the servant did know what the President was doing; that is the very point of my inquiry. I want to find out whether you did know that Mr. Birch or the other directors were receiving allotments?—Please to put the question again.

2159. Were you aware that Mr. Birch and the other directors of the bank were receiving allotments of shares?—From general hearsay.

2160. You knew as a fact that Mr. Birch received an allotment of Back Bay shares?—Certainly.

2161. You are not able to speak, as a matter of fact, as to his receiving any others?—I cannot say.

2162. You are not able to speak, as a matter of fact, as to any other director of the bank receiving allotments of shares?—I cannot say.

2163. But do you know, as a fact, whether any of the other directors were receiving allotments?—I have stated, from general hearsay.

2164. From general hearsay you know that the other directors were receiving allotments. I asked you did you know that any of the directors were receiving allotments, and you said "from general hearsay;" that is an answer.—Yes.

2165. It was from no other source of information except general hearsay?—Not that I recollect.

2166. Were not you always, or very often, buying and selling shares yourself? —Not always.

2167. Were not you very often buying and selling shares yourself?—Simply to get money to pay for the calls upon the shares which were allotted to me, selling out of one into another as an investment, into what I considered a better investment.

2168. We have your account with the Asiatic Bank. I believe that you deposited all those shares with the Asiatic Bank, and you now owe them 26,000*l.*, after having received credit for all those shares? (*handing the account to the witness, produced by Mr. Turquand on the* 10*th November, marked Y* 3). —No; I settled with the Asiatic Bank.

2169. Is not there now a liability from you to the Asiatic Bank of 26,000*l.*? —No; it is all paid.

2170. They do not press you for the payment?—No; I have settled it.

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I have their discharge in a letter. That debt was simply for an investment which I intended to keep of these ten Back Bay shares (*Letter produced by witness, and marked Y* 4).

2171. (*President reading from the letter*): "As I have good reason to believe that you have given up your property I now grant you a release." That is not the point; that shows that you have been released, but is not this a correct statement of the account upon whieh you were released, that after taking all your shares there was a balance of 26,000*l.* due to the Asiatic bank?—Yes; when I went home.

2172. After giving you credit for all your shares, there is a balance of 26,000*l.* due from you to the bank; is not that so?—They took over the whole of these shares. I do not know about the balance.

2173. That is the account of the Asiatic Bank.—These shares were much more valuable than they took them over at; they took them all over at that price.

2174. After giving you full value for all your shares there was 26,000*l.* due from you to the Asiatic Bank?—No, not at all; they valued them themselves, and took them over.

2175. When was this done?—It was done in 1867, when I went out to look after my own affairs. This was between Mr. Robertson, the liquidator, and myself.

2176. Did you employ Premchund Roychund as your broker in buying these shares?—Yes, certainly.

2177. You employed him in buying and selling shares for you?—Yes.

2178. I believe that on the 16th July 1864 Premchund Roychund bought ten Back Bay shares for you at the auction?—Yes.

2179. For 3,11,782 rupees and 8 annas?—I forget what the amount was.

2180. Where did you get the money for them?—From the Asiatic Bank.

2181. Through whose influence did you get that loan from the Asiatic Bank?—No person's influence at all. It was my own application.

2182. Was it openly done?—Yes, as I was going home. I had a private account at the Asiatic Bank. I intended being home in 1864.

2183. You did not go home till the following April?—I intended leaving India in 1864, having been 11 years in the service of the bank; and, having no pension to look to, I invested my savings, and a good deal of the money which my father left me, in shares of several Companies in Bombay. I applied for ten shares in the Back Bay scheme, and had five allotted to me; and, having so applied for them, I never offered to dispose of them till the Company was being wound up. At the public sale of unallotted shares of the Company I requested Premchund to purchase ten, but unfortunately omitted to give a limit. As I had ample securities either lodged, or being lodged, at the time with the Asiatic Banking Corporation, in view of that Company being my bankers on my return to England, I was allowed to overdraw my account. The shares were purchased at a much higher figure than I expected, the market price being at the time about 15,000 rupees premium per share. I therefore requested Premchund to sell them at the same price, or even a little lower, as I did not wish to hold them at such a high rate as an investment, they having been purchased at 28,000 rupees premium. He said that he had done so, but that the money would not be paid for some months. He did not mention who the purchasers were, and I did not inquire, as I had full faith in Premchund's word that it was all right, and he said that he would guarantee me against all loss.

2184. Were you not a great friend of Mr. Morrison, the agent of the Asiatic Bank?—Yes.

2185. I suppose that he managed this loan for you?—I do not know whether he was acting at the time.

2186. Then there was another transaction on the 6th of December 1864, a joint transaction of yourself, Mr. Tracey, and Mr. Morrison. You bought six

shares in the Elphinstone Land and Press Company, did you not?—They were bought.

2187. You bought them, for how much?—I do not know. Premchund gave me no particulars until that transaction was completed. Premchund asked me to join Mr. Tracey and Mr. Morrison in the purchase of a few shares in the Elphinstone Land Company, which he knew were likely to be sold, and he said that he was sure I would not lose by them. I was surprised, on asking him a short time afterwards if he had purchased any for me, and how much I had to pay, by his stating that he had, and had also sold them at a good profit, and that he would send me a cheque for my share. This was received from Mr. Morrison, as far as my recollection bears me out.

2188. The shares were bought for 7,42,000 rupees, and were sold at a clear profit of 1,62,000 rupees on the whole transaction. You had your share of the profit?—I always understood that the shares had been bought and sold without any purchase money having been paid. No money was advanced by the bank for any such purpose. Mr. Tracey never spoke to me on the subject.

2189. I only want to show that you were speculating at this time in shares, and it clearly appears that you were?—That is the only thing which you can call a speculation. The money was all lost again.

2190. We will go to the next transaction, namely, the sale of some of your Back Bay shares. You sold five of those Back Bay shares for 33,000 rupees a share; that is a premium of 28,000 rupees per share, is it not?—I never sold any.

2191. Premchund sold them for you?—I never got a rupee for them.

2192. How many did you receive?—Five; and I purchased ten.

2193. How many did you hand over to the Asiatic Bank?—They had those ten.

2194. What became of the other five?—They were handed over to the Asiatic Bank when I went out in 1867.

2195. The Asiatic Bank have only received ten?—They received the whole.

2196. As to the other five there is a distinct entry in the books of Premchund, showing that he sold them for you.—I never got any money for them.

2197. Premchund's books could not have been made up for this Commission. They were put into the hands of his trustees in 1866, long before this Commission was thought of, and therefore he could not have concocted any of these statements for the purposes of this Commission.—I distinctly state that I never got a rupee from Premchund for the Back Bay shares. It is included in these twenty-seven Back Bay shares given to the Asiatic Bank (*returning Exhibit Y 3 to the Chairman*).

2198. I will read you an entry from Premchund's cash book, dated the 24th of April 1865, shortly before you went home (*Exhibit R* 23): "Bought five shares from Mr. Blair at rupees 28,000 each." Did you not sell those five shares?—Never.

2199. Do be cautious.—I tell you honestly that it was not the case. He said that he had done so, but that the money would not be paid for some months. He did not mention who the purchasers were, and I did not inquire, as I had full faith in Premchund's word.

2200. Did not you begin this examination by saying that Premchund had not sold five Back Bay shares for you?—Not the five originally allotted to me.

2201. You denied the fact that you had sold five.—I read over this statement.

2202. I ask you whether Premchund Roychund did not buy from you five Back Bay shares on the 24th April 1865?—Not that I am aware of.

2203. Do you mean to say then that this is a false entry in his book, he never having been able to touch that book since the year 1866 (*handing Exhibit R* 23 *to the witness*)?—I am not aware of the money having been paid.

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I was not in India in the year 1866. It must have been five of those ten shares which he bought for me at the auction and became responsible for. He stated that he would guarantee me against all loss. I had no intimation of it. I have told you that he said that ten shares were sold; my five original shares I held.

2204. I want you to attend to the point. You sold those shares to Premchund?—Which shares?

2205. Those five Back Bay shares.—No; certainly not; the five which were allotted to me.

2206. Five shares you sold to Premchund on the 24th of April 1865?—He stated that he would sell them.

2207. Then why did you deny it when I put the question to you?—Because I thought that you were alluding to the five which I originally got.

2208. We have it now that those shares were sold to Premchund at that rate?—But I had no intimation of that sum having been paid in by Premchund.

2209. You sold them for 1,65,000 rupees, and he re-sold them to Jaivirilall Umiashunker for 1,80,000 rupees. Do not you know that Premchund bought those shares for 1,65,000 rupees?—I have simply the fact that ten shares were sold.

2210. You are so ignorant of your own affairs that you cannot state whether you sold five shares at that time or not?—I trusted it entirely to Premchund, and he stated that he had sold the ten shares for 28,000 rupees premium per share for time; he mentioned no names.

2211. And you had to pay interest upon that transaction, namely, Rs. 2929 5. 0.?—He never gave me an account of it.

2212. Do you mean to say that you never received the money for the shares?—Never.

2213. Was not it paid into the Asiatic Bank, in fact, in part discharge of your loan?—No.

2214. Was not the sum of Rs. 1,62,070. 5. 0. carried to the credit of your cash credit account in the Asiatic Bank?—I was never informed of it.

2215. We seem to know more about your affairs than you know yourself.—So I think. I never got the money. I see that he did sell these ten shares, but I never got the money from the people.

2216. This will give you a short summary of the transaction; there is the statement taken from the books of the Asiatic Bank (*handing to the witness Exhibit marked Y 5*); it was taken in reduction of your loan to the Asiatic Bank, and you have had the benefit of it in that way.—(*After looking at the paper*)—That is undoubted. I was not aware until now that they had paid it; they never furnished me with any statement after I went home.

2217. Before you settled your accounts with them did you never look at them?—Mr. Robertson did it all for me when I was at Poonah.

2218. Did you yourself never look at the accounts?—No; because I thought that it was all right, Mr. Robertson having full power to act for me.

2219. The interest was deducted and the balance paid to you. Did you know that it was a time bargain?—I have stated so.

2220. Do you think that it was a proper thing to do, as the Secretary of the Bank of Bombay, to enter into a time bargain?—No; it was as I stated before, because the shares were bought at such a high figure that I intended Premchund to sell them again. I bought them at first as an investment.

2221. There is an entry in your current deposit account with the Asiatic Bank. Premchund tried to explain it. It appears that you paid 4,950 rupees on the 22d of July 1865 to Premchund. We asked him whether he could explain that transaction, and I think that it is fair to you to read his evidence. He says, "I am unable to give any further information about the item of rupees 4,950, which was paid by Mr. Blair to me. It relates to some transactions between Mr. Blair and Mr. Barnes, who is now in England."—I never heard of Mr. Barnes.

2222. Mr. Barnes of the Agra Bank.—I only met him once.

2223. Premchund added "I think it was for some share transaction between Mr. Blair and Mr. Barnes in which I acted as broker, but I do not recollect what share transaction it was." It was clearly not that, according to your account?—I only met Mr. Barnes once at dinner, and never had any transactions with him.

2224. Then how came you to pay this sum 4,950 rupees to Premchund Roychund; what was it for?—I cannot tell; it must have been his brokerage.

2225. He distinctly declares that you never paid him brokerage to the amount of a shilling.—I do not recollect it at all.

2226. We should like to get an explanation of that transaction.—I cannot give it to you.

2227. Do you think that it is possible that Mr. Robertson, who acted as your agent when you were away from Bombay, could explain that transaction?—He may, if it was when I was absent; I never had any transactions with Mr. Barnes.

2228. Mr. Robertson acted for you as your agent after you left Bombay, did he not?—Yes; he had a power of attorney.

2229. Then he probably will be able to tell us how that was?—Certainly.

2230. You are wholly unable to give an explanation of that payment to Premchund?—Certainly.

2231. It was not a payment of any debt to him?—Certainly not.

2232. Did you not enter into another speculation, viz. the purchase of 50 Back Bay shares with Tracey, Scott, Morrison, and Hannay? Your name is not mentioned, but we have evidence that you were interested in Morrison's share in that transaction.—Will you put the question again?

2233. Were not you interested in the purchase of 50 Back Bay shares with Tracey, Scott, Morrison, and Hannay?—I will read my memorandum with regard to it. "There were stated to be so many shares by Premchund purchased in the Back Bay Company, but it was broken off, as I understood, in consequence of the shares being his own, which he was trying to sell to us."

2234. Did you enter into a speculation with Messrs Tracey, Scott, Morrison, and Hannay for the purchase of 50 Back Bay shares?—I was asked to do so for five.

2235. You agreed to take five of Mr. Morrison?—No; nothing with regard to Mr. Morrison more than the others. On my return from Ajmere, Premchund said that he was to purchase five Back Bay shares for Mr. Hannay, Mr. Tracey, Mr. Morrison, and myself; but I was so much occupied at the time with the bank business that I thought no more of the subject as Premchund never again alluded to the matter to me; and only two days, I think, before I left for England either Mr. Hannay or Mr. Morrison said that I would lose a lac, as they thought Premchund had bought the shares. I said that Mr. Robertson would see to that, and pay the amount if necessary, he being my attorney, but that Premchund had told me nothing further about it, and to this day he never did, and no claim was ever made on my account to Mr. Robertson. I was afterwards informed that the shares were found out to be his own, and the transaction was broken off. When in India lately, although I frequently saw Premchund, he never alluded to the subject, or made any claim, but said that he was glad to hear I was all right, which I told him was not the case, having calls on the Asiatic Bank shares yet to pay.

2236. That confirms the evidence which we have taken. Did not you enter into another transaction with Morrison and Tracey in Back Bay shares? It was a transaction after you left; it commenced in August and ended in December 1865. Did you not, through your agent Mr. Robertson, or in any other way, enter into that speculation?—Certainly not, that I am aware of. Mr. Robertson never told me of any such thing.

2237. We have evidence before us that you were interested with Morrison in that speculation of Back Bay shares?—I am not aware of it.

2238. Will you deny it?—Certainly, to the best of my knowledge. I thought that it was all the same thing.

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2239. This was after you left.—I am not aware of anything else.

2240. You are not aware of an account as to that transaction having been opened in the name of Nusserwanjee Ruttunjee and Company?—No.

2241. Premchund never informed you of that transaction?—Never.

2242. You never were informed of that transaction by Mr. Tracey or Mr. Morrison?—Never, to the best of my recollection. I hardly knew Mr. Tracey.

2243. Were you ever engaged with Mr. Tracey or Mr. Morrison in any such speculation?—None, that I am aware of.

2244. Did you not enter into another transaction in November 1864 in the purchase of 180 Bank of Bombay shares as a speculation?—Never. I purchased for an investment 60 shares; that is all.

2245. Did you enter into a transaction for the purchase of 180 Bank of Bombay shares as a speculation with Morrison, Tracey, and Premchund?—Never.

2246. If Dossabhoy Dhunjeebhoy said so, that is incorrect?—I never heard of it.

2247. You were never interested in that account?—I never heard of it.

2248. Did Mr. Birch or any of the directors of the bank know that you were engaged in buying and selling shares?—Do you mean only those who were directors?

2249. Did any of the directors know that you were ever engaged in buying and selling shares?—Not that I am aware of.

2250. Did you ever receive any present from Premchund Roychund?—I refer you to my statement. I never received any present from any one whatever. I believe that you frightened him into a statement of that sort. I never received a present from any one, as is stated in my statement sent to you.

2251. Did Premchund ever charge you brokerage in any of his transactions with you in the purchase and sale of shares?—I suppose that he would take care to deduct it himself; he never told me to do so.

2252. I have looked over his accounts with great care, and I never find a single charge for brokerage against you.—Did not his father make a charge?

2253. His father may have done so in other transactions, but Premchund swears that he never charged you brokerage.—That was his fault; I was not aware of it; I understood you to say a short time ago that in the account with the Asiatic Bank there was a charge for brokerage.

2254. No; there is a charge for interest.—That would very likely be included in it.

2255. I have gone through the accounts myself, and there is not any charge for brokerage.—He should have charged it.

2256. Do you not consider that that was in some sense receiving a present from Premchund?—Certainly not, because I was not aware that he had not charged brokerage in the usual way.

2257. You were not aware that he had refrained from charging you brokerage?—Certainly not.

2258. You were not aware that he was in the habit of giving that facility to bank managers generally?—I was not aware of it.

2259. Did not you borrow money from Premchund?—Never from Premchund; from his father, Roychund, I did once.

2260. Be careful. I ask you, did you not borrow money from Premchund Roychund?—Not to my recollection.

2261. You deny that you ever borrowed money from Premchund?—To the best of my recollection I never did.

2262. We shall be able to show you from your own account with the Asiatic Bank (*Exhibit Y* 6) a confirmation of the evidence which we have received upon that point. Did not Premchund lend you, on the 22d of June 1864, 20,000 rupees?—I do not recollect it.

2263. Surely if a man lent you 2,000*l.* you would recollect it?—Not at this length of time. The only ones that I recollect are from his father, but he may have lent it to me to prevent my overdrawing my account at the bank.

2264. Your account at the Bank of Bombay?—To prevent my overdrawing the money at any bank. I am not aware of Premchund having done it. I am aware of having had money from his father.

2265. Are you prepared to swear that you did not receive a loan of 20,000 Rs. from Premchund on the 22d of June 1864?—I do not recollect it.

2266. Here is, first of all, a translation of an entry in Premchund's book (*Exhibit R* 24), which, as I tell you, he could not have altered; there is an entry of 20,000 rupees on that date.—I do not recollect it. Then he has got my cheque.

2267. I suppose that you will not doubt it when I show you a reference to it in your own account with the Asiatic Bank the next day? "By cash, 20,000 rupees." It was paid into your account the next day.—I do not recollect that transaction certainly.

2268. Do you not recollect repaying it with interest?—No; I do not recollect having it from Premchund. That banking account is confirmatory enough.

2269. Did you not repay it on the 7th of July with interest?—My cheque will show it.

2270. Here is your own account with the Asiatic Bank: "7th of July, to cheque Premchund Roychund 20,075 rupees." You paid Premchund 75 rupees interest.—That is confirmatory.

2271. Did he not also lend you, on the 16th of December 1863, 20,000 and odd rupees?—I cannot recollect at this date.

2272. Here is a translation of the entry in Premchund's book (*Exhibit R* 24). He lent you on the 16th of December 20,000 rupees and odd. Is it not so? Do not you recollect that?—No; I do not recollect it at all.

2273. You do not recollect your repaying him that money on the 5th of March 1864?—The cheque must show it, but I do not recollect such a thing.

2274. It was repaid on the 7th of March (*showing Exhibit R* 24 *to the witness*).—I did not recollect it, but I must have borrowed it to prevent my overdrawing my account.

2275. Was not that last sum borrowed for the purpose of buying Bombay Joint Stock Bank shares?—Very likely; I cannot recollect.

2276. Were not you in the habit also of borrowing money from Premchund, just for a day only, as a temporary loan?—I really do not recollect it.

2277. You do not recollect that he was in the habit of letting you have money for a day?—Very likely, if he had been purchasing shares for me.

2278. You told us just now that Roychund Deepchund, his father, lent you money?—Yes, I recollect that distinctly.

2279. Here is a translation of your account in Roychund Deepchund's books (*Exhibit marked R* 25). Just look through that account. In the native year 1920, that is to say the year ending in October 1864, you received 4,000 rupees. Do you remember whether, on the 8th of August 1864, you borrowed a sum of 20,000 rupees from Roychund Deepchund? The entry is "Paid a cheque on Asiatic Bank, for which a written acknowledgment has been taken."—I really do not recollect.

2280. That 20,000 rupees is carried to the next account, and that account is balanced for that year. Then there is the following entry in the cash book, "3d October 1864, 17 shares of the Bank of Bombay 58,182 rupees." Then, in the cash book on the 4th October 1864, "13 shares of the Bank of Bombay, and 13 new shares 48,396 rupees." In the cash book of the 13th October 1864, "3,500 rupees." Again, in the cash book on the 13th October 1864, "for call on 17 shares of the Bank of Bombay 5,100 rupees." Then he advanced you money to buy one share of the Victoria Company, 33,000 rupees. Are not all those sums correct?—I did not know the items; he sent me a statement of the whole 60 shares of the Bank of Bombay, which I purchased.

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2281. Just look down the account, and say whether you dispute it.—What he gave me was simply the full amount, and I gave him a cheque for it.

2282. There is Rs. 1,68,000 odd, which is a large sum; what is that?—I never borrowed such a sum; he may have purchased the shares, and I paid him, and he sent the account to me.

2283. Was not this account made up, and did not you, just before you left India, pay him Rs. 1,51,875 4 9, as the balance which you owed him?—As far as I recollect I gave him what I owed him.

2284. Do you not observe that this is an account current running through two years?—I never saw it before.

2285. Are you prepared to dispute those items?—I cannot.

2286. Did not you clear off that balance just before you left India?—I gave him a cheque.

2287. Do you dispute the correctness of that account, and do you deny having paid the 1,51,000 rupees odd, which was the balance against you when you came away?—I do not remember.

2288. Do you mean to say that you settled an account to the extent of Rs. 1,51,000, without ever looking at it?—I never heard of that account at all; he may have kept accounts as he chose, but I never was furnished with an account by him.

2289. After actually paying a balance of 1,51,000 rupees, which was the balance of an account of two years standing, do you want us to believe that you never looked at that account, that you did not know the amount, and that it was only for some shares which might have been bought the day before?—They were bought a short time before.

2290. Look at the items; some of the items relate to money borrowed by you, and some are for shares. There were some very small payments on the other side, but you were always in debt to Roychund Deepchund according to that account.—Then that is a wrong account; I never heard of it.

2291. Do you deny the fact that on the 3d of October 1864 he bought 17 shares of the Bank of Bombay for you?—I simply state the full number that he gave me an account for, namely, 60.

2292. You do not deny that you paid that sum of 1,51,800 rupees as the balance of an account.—I was not aware that I had a running account with Roychund.

2293. Then you mean to say that you paid that sum without asking for a statement of how it arose?—Yes, simply because I understood that it was for the shares of the Bank of Bombay purchased for me at a large premium, and certainly those advances were always paid at the time, or a short time afterwards.

2294. Did not you mortgage your Bank of Bombay shares to raise that money?—I got the money from the Asiatic Bank. It was my intention when I went home to send out the money from my father's property. I intended to hold them as an investment.

2295. You had your father's property out in India?—Not all.

2296. Did Mr. Birch or any of the directors know of these dealings between you and Premchund, and these dealings between you and Roychund Deepchund?—Certainly not.

2297. You kept those transactions secret?—I did not think that it was necessary to tell them; they were simply temporary loans to save my overdrawing my account, and in expectation of money received from home.

2298. It is proved distinctly that you received allotments, that you speculated in shares with borrowed money, and that you borrowed money from Premchund Roychund and Roychund Deepchund. Do you think that you did your duty to the Bank of Bombay in entering into such transactions?—Certainly. It was on my private account, and with the view of going home. I had no pension or anything to look to, and it was merely dealing with my own money and what I received from my father.

2299. Do you think that you put yourself into a proper position to protect the bank against Premchund and his father when you did this?—Their position was recognized by every one in Bombay. I trusted them, and they were trusted by the Governor, who praised them as examples for the rising generation.

2300. Then I am to understand from you that you did not see the impropriety of these transactions?—Certainly not; because I intended them for investment.

2301. On looking back, you do not regret that you should, as Secretary of the Bank of Bombay, have put yourself into that position?—No; I do not see that there is any position which is wrong. I dare say that a number of things which we see now, would not have been done if the result had been known.

2302. I will turn to another subject. Do you remember the meeting of the shareholders of the 20th of December 1861, at which the following resolution was passed, "Proposed, seconded, and carried unanimously, that the directors be authorized to take such steps for varying, altering, or annulling all or any of the provisions of the Act under which the bank is at present constituted, and for obtaining the re-incorporation of the bank, as to them may appear expedient for securing the efficient working of the bank." Do you remember that meeting of the shareholders?—No, I do not recollect it particularly.

2303. Can you tell us what was the practice in giving notice of special general meetings?—It was by a general advertisement in the Government Gazette and other papers.

2304. Do you know of any practice existing at any time during your connexion with the Bank of Bombay of giving any notice to shareholders in England?—No; the Bank being in Bombay it was in the Bombay papers. They would be seen at home I suppose.

2305. The Act requires only 15 days' notice, and I suppose that you were not in the habit of giving more than 15 days' notice?—We acted upon the Act.

2306. You do not recollect at any time during your connexion with the bank having a meeting postponed for a long time, so as to take the sense of the shareholders in England?—No; I cannot speak positively as to that.

2307. As to the meetings for the increase of capital, I suppose that the notices were given in the same way as for a special general meeting?—They must have been in the general way.

2308. There was the 15 days' notice required by the Act, and no other?—It was just in the regular way. The minutes will speak for that.

2309. The practice was only to give the 15 days' notice required by the Act, is that so?—Certainly; we acted up to the Act.

2310. Was that notice given upon calling those general meetings for the increase of capital?—The regular notice must have been given.

2311. Did any one at any time propose that there should be any delay, and any reference home to the English shareholders?—I do not recollect.

2312. We must now take you through a few of the loans made by the bank, and as you are not well, we will merely take the principal loans in your time.—Before you go into that, perhaps you will allow me to state that up to those dates my nature was not speculative, and that all my savings were invested in Government paper.

2313. The Alliance Financial Corporation obtained a bill from the Bank of Bombay on the 21st of October 1864, for five lacs, and a cash credit on the 8th of November 1864, in the names of the directors, for five lacs; and there was another bill which they discounted subsequently for a very small amount, after you left. I am now talking of the advance to the Alliance Financial Corporation and their directors, Mr. Diver, Atmaram Madhowjee, and others, more particularly. Did you make any inquiry about these persons before you let them have those large sums?—It was brought by Premchund, and he said that they were perfectly safe and undoubted.

2314. He negotiated those two loans with you. Did you, yourself, make any inquiry about them?—No; I depended entirely upon Premchund, as we had been accustomed to do.

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2315. Did not you inquire as to what was outstanding against the different men whose names were given? Was not it your practice to do so?—Yes; certainly.

2316. Atmaram Madhowjee had an enormous sum outstanding against him at that time?—I was not aware of it.

2317. What was your practice when Premchund came to you and said, "these are good men"? Did you say, "Here is the money"?—He brought them specially.

2318. Did not you institute an inquiry?—We depended entirely upon Premchund.

2319. Did not you make an inquiry as to what the bank had already lent to those men?—I do not recollect that special one. We generally sent down to get the information from the ledger keeper.

2320. You had independent ledgers, and clerks in charge of those independent ledgers, instead of showing all outstandings in one book?—That is the very book which I started on coming from Ajmere.

2321. You had the loans under one person, and the cash credits under another?—Ever since I went to the bank that was the system.

2322. And consequently you had to send to two or three persons to ascertain whether there was anything outstanding?—We depended entirely upon them to make inquiry, and to send up the opinions as to any particular individual. We had to depend upon the various departments.

2323. Then I am to understand that you completely put yourself into the hands of Premchund?—Certainly; and the directors trusted him in the same way as they trusted Cowasjee.

2324. Do you say deliberately that the directors always put themselves in the hands of Premchund?—They must have been aware, he was one of their own body, and a consulting director, and the thing was never objected to; he occupied the same place as Cowasjee as consulting Director, and he was strongly recommended by Cowasjee, who was not very desirous to recommend any one.

2325. Did you make any inquiries about this company, the Alliance Financial Corporation?—No, I did not; we depended upon the names. Premchund said they were undoubted men of wealth.

2326. But were not the men largely speculating, especially Atmaram Madhowjee?—I was not aware of it.

2327. I believe that at the time when you left he had 28 lacs outstanding against him in the books of the bank?—I was not aware of it.

2328. What did you know of Atmaram Madhowjee?—I knew nothing of him, except from Premchund.

2329. Did not you know that he was an enormous speculator?—I hardly knew him, except from Premchund.

2330. Did not you know that he was a man dealing in time bargains in shares?—No.

2331. And did not you know that the others were men in the Deccan Cotton Company, and that they were in several other companies?—I did not know of this at all, except from Premchund.

2332. Did not you know at the time, that they were entering into a gigantic speculation, that they were buying from Premchund Roychund and others the Mazagon Powder Works?—No.

2333. Did not you know that they were giving 20 lacs more than Premchund had given to the Government for the property?—I was not aware that they had purchased it. I was not aware that it was connected with their purpose.

2334. You were not aware that these men to whom you lent these ten lacs were most gigantic speculators?—No; I trusted entirely to Premchund.

2335. Surely, in your position as Secretary of the Bank of Bombay, these things could scarcely have been concealed from you?—I trusted entirely to the native director. We were tied down to natives in the business, and we were too glad to see a European in the bank.

2336. I will take the next loan. On the 22d of April 1865, when you were back in Bombay, there was a loan of two lacs, and the loss upon that has been 1,97,831 Rs.; that is to say, you only recovered 2,000 rupees out of the whole two lacs. That money was borrowed by Ameerchund Becherdass. When you lent that money on a single name did you inquire who Ameerchund Becherdass was?—It must have been brought to me by Premchund, because I did not know the name at all.

2337. Did not you know Pestonjee Cursetjee Shroff?—Yes; that was one strongly recommended.

2338. Did not you know that Ameerchund Becherdass was his clerk?—No, I did not at all. Pestonjee Cursetjee Shroff I understood himself came.

2339. Now that your recollection is revived about it, do you recollect anything with regard to that loan; do you remember how that man got two lacs, upon which there has been almost a total loss?—Not in the slightest, except through Premchund; it must have been through Premchund, for I did not know the man at all.

2340. The next case is that of Ardaseer Cursetjee Dady. On the 8th of December 1864 (you were then in Bombay) he got a loan of a lac and a half; 74,252 rupees was the loss upon that. In your time there was no security whatever taken from him.—It must have been on his good name.

2341. Who was he?—I do not recollect. It must have been from Premchund.

2342. He was recommended to you by Premchund, and in the minute book it is stated "Premchund says, good for one lac and a half"; you relied solely upon Premchund (*Exhibit A* 27)?—Yes; there was no other source but Premchund, who was considered to know the case the best of any one.

2343. We will now come to Atmaram Madhowjee. I have it on my notes that he had 22,82,000 rupees, and the transactions in which he was concerned amounted to 28 lacs. Surely you will be able to tell us something about him?—I have stated that I knew nothing about him except through Premchund.

2344. The very name ought to have become familiar to you.—It is very difficult with the native names to follow them. I was not aware that he had so much.

2345. We will take one of your last transactions with him. On the 16th of December 1864 you granted him a loan of two and a half lacs with Burjorjee Rustomjee, did not you inquire what sums were outstanding against him at that time?—It is very likely. I generally sent down into the bank to inquire.

2346. And if you found there were 15 or 20 lacs outstanding, what did you do?—I do not recollect that circumstance at all.

2347. We find this letter of yours as to this very man on the 20th of October 1864: "My dear Premchund,—Kindly tell me what amount we have discounted to Atmaram Madhowjee and Burjorjee Rustomjee at present, and oblige, yours sincerely, James Blair." You do not seem to have known what enormous sums were outstanding against him then?—Certainly not in his own name.

2348. This is Premchund's reply: "My dear Blair,—Give them 25,000 rupees. Yours, Premchund Roychund." Do you see that?—And they got that amount.

2349. Atmaram Madhowjee got with Diver and Treacher on the 19th of January 1865, 60,000 Rs., and on the 31st of March 1865, Rs. 80,000?—With other names?

2350. Yes; and on the 21st of February 1865, Atmaram Madhowjee with Brice and Co. got 30,000 Rs.; on the 16th of December 1864 Atmaram Madhowjee with Burjorjee Rustomjee got two and a half lacs. You received a letter from Premchund on the 20th of October 1864, telling you to let Atmaram Madhowjee and Burjorjee Rustomjee have 25,000 Rs., and two months afterwards you let them have two and a half lacs.—It must have been from Premchund; they were always on Premchund's advice, because I did not know the people.

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2351. You had the distinct advice of Premchund. Look at his handwriting. —That is undoubted.

2352. Having his authority that you should only advance those people 25,000 rupees, how came you to let them have 2,50,000 rupees within two months afterwards?—That I cannot say; it must have been upon his advice, and he must have changed his opinion of them. These natives were always getting wealthier.

2353. Are you prepared to say that he did change his opinion as to them?—I should like to see who passed that loan; that is material.

2354. You were the executive officer in Bombay at that time, and you were the responsible person. On the 16th of December 1864 2,50,000 rupees were passed to Atmaram Madhowjee and Burjorjee Rustomjee after being advised that you were only to lend them 25,000 rupees.—It must have been on Premchund's advice, because, to the best of my knowledge, I was very particular to act upon Premchund's advice.

2355. Then you are unable to recollect this transaction?—I do not recollect it. I was acting simply upon Premchund's advice, and with the consent of the directors.

2356. Premchund's advice appears in his letter.—That is only with regard to one transaction.

2357. If Premchund, on the 20th of October, stated to you that he thought that those parties might be trusted to the extent of 25,000 rupees, why should he on the 16th of December afterwards think that 2,50,000 rupees more might be advanced to them?—He may have done so; he may have had some reason.

2358. On the 11th of October 1864 a loan of 5,50,000 rupees was granted to Atmaram Madhowjee with Mr. Taylor and Dr. Diver. We know who Atmaram Madhowjee was, Mr. Taylor was the Master of the High Court, and Dr. Diver was an uncovenanted Doctor in Rampart Row.—Very likely; I do not know.

2359. Here is your opinion book (*A* 27). This opinion book was your guide, was it not?—Very long ago; it had not been written up for many years.

2360. But we find in it entries up to 1864 and 1865.—Very likely.

2361. (*President reads*): "George Taylor, Premchund considers very safe for a lac." Is that entry in your handwriting?—Yes.

2362. That is dated the 2d of April 1864. How came you, on the 11th of October 1864, to lend 5,50,000 rupees to those three parties without any security?—Simply on Premchund's strong recommendation that they were undoubted for the amount at that date.

2363. Did not you know that Premchund was a broker whose object was to sell shares?—Certainly not; he was a director of the Bank of Bombay, and was acknowledged as trustworthy in every respect.

2364. But was not he doing an enormous business in buying and selling shares?—I cannot say. He made a great fortune in cotton.

2365. Did not it strike you during the whole of your administration that he might be borrowing money to pay for shares sold by himself?—Never; certainly not, as I have stated in the statement sent to you.

2366. We have had it distinctly proved before us that he sold his shares to these very gentlemen, who borrowed this money, and so made a good profit in this way.—That I know nothing of.

2367. How did Atmaram Madhowjee stand in your opinion book? On June 21st 1863 there is the following entry, "Atmaram Madhowjee considered speculative, but considered to have made some money by Premchund."—Whose opinion was that?

2368. I apprehend that this was your own.—It must have been from some authority certainly.

2369. It was no doubt from Premchund. Shortly before, there is the opinion of Cowasjee Jehangeer, whose opinion was really worth something, "good for

20,000 rupees," and yet he got 28 lacs, which are outstanding still; a good many other loans I dare say may have been paid, but his name is outstanding for 28 lacs.—These were all got on Premchund's advice, who was considered undoubted in his recommendation.

2370. Why could not you have turned to Premchund, and said, we have your advice here that we ought never to lend any such amount to these people?—I did make this statement to him that these large amounts should not have been lent, but he said that they were undoubted.

2371. Do you mean to state that you said so as to this particular loan?—No, I do not mean to say that.

2372. Do you not remember that Premchund said that he would deposit for safe custody the certificates of 20 Back Bay shares which they were going to buy? Did not you know what that sum of 5,50,000 rupees was going to be applied to?—No; they would not have got the money if it was to be applied to shares.

2373. Do you mean to say that you never knew to what purpose that money was going to be applied?—No.

2374. As secretary did you never ask what the money was going to be applied to?—No.

2375. The borrowers were Atmaram Madhowjee, a great speculator as appears in your opinion book, George Taylor, a great speculator and Master of the High Court, and Dr. Diver a Doctor in a small way in Bombay. What could you conceive that they were going to do with those 5,50,000 rupees at that time?—I trusted to Premchund; he said that they were undoubted, and they were undoubted men of wealth; they purchased the Government House and all the property round it.

2376. That was I think purchased afterwards.—It was very likely that it was for that purpose.

2377. If anything was known of Mr. Taylor, was not it known that he was embarking largely in speculation, and that Dr. Diver and Atmaram Madhowjee were similarly engaged?—I was not aware of it at that time.

2378. If you had known that those gentlemen were going to buy the Government House, ought not that transaction to have put you on your guard?—I do not know. I simply state that they were acknowledged to be wealthy at that time. Will you allow me to read this, bearing upon that point: "I objected to the largeness of the amounts, but Premchund assured me that there would not be the slightest risk, as the parties were known to have realized large fortunes; one for instance, Cursetjee Furdoonjee, was considered to be worth upwards of a crore, and the Camas a crore and a half."

2379. Did not you know that 20 Back Bay share certificates were to be deposited for safe custody?—Premchund proposed to lodge so many shares. As I stated before he strongly recommended it generally.

2380. Did not he forget to do that?—You will very likely find a letter about it.

2381. Did not you write on the 4th of January 1865 to Premchund about it (*Exhibits A* 31 *and* 103)?—Certainly.

2382. Premchund said in his evidence, "The certificates of the 20 Back Bay shares were not lodged till afterwards. I promised Blair that I would send them to him, and I sent him 10 first and 10 afterwards." That is the fact, as we find from the register.—I recollect writing to get as much as I could from him.

2383. You got 10 share certificates then, and 10 more were deposited long afterwards, and then, in consequence of an extraordinary decision of Mr. Justice Anstey, they were never realized by the Bank of Bombay. How did you transact this business; did you pay the money out, and leave it entirely to Premchund's honour to deposit the share certificates?—Will you kindly repeat that question?

2384. What was your way of doing business? This was one of the very cases in which no security was lodged at first, but where there was an understanding that the shares when bought were to be deposited for safe custody.

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Did you trust entirely to the honour of Premchund, or to the honour of the borrowers to deposit the share certificates when they got them, or did you take any security?—At the time when the money was borrowed I thought very little of the shares; the people were undoubted.

2385. Premchund, in his reply to your letter, says, "I send you 25 shares on account of Byramjee Cama, and 10 on account of Dr. Diver; I will send you the other ten in half an hour (*Exhibit* 103)."—On what date is that?

2386. The 4th of January 1865. The share certificates were not received until three months afterwards. What was your way of doing business? If you intended to have shares as security why did not you have the certificates deposited?—Because we trusted entirely to these people being undoubted, as Premchund stated, without the shares.

2387. I want to know whether it was your usual way of doing business just to trust to the honour of the party and let him deposit the share certificates whenever he pleased?—I certainly trusted to Premchund, who was the adviser of the bank.

2388. And he might let you have the share certificates whenever convenient to himself, either three or four months afterwards?—The advances were not made on the shares.

2389. In this particular case the advance was made on the shares.—As I stated yesterday it was simply collateral security to be used by the directors if found necessary.

2390. Premchund states in his evidence, "I promised Blair that I would send them to him, and I sent him ten first and ten afterwards. That was my and Mr. Blair's way of doing business. If I gave him my word he was satisfied."—Yes, certainly.

2391. Do you remember Dr. Bhow Dajee getting loans from the head office in 1864?—Yes; as far as I recollect 30,000 rupees.

2392. Twice over, and it was a total loss?—One loan I think was obtained at the branch.

2393. There were advances at Kalbadevi of Rs. 50,000 and Rs. 25,000, besides the two at the head office. There was no security given for any of these loans in your time?—His was an undoubted name at that time; Premchund recommended him.

2394. He was Premchund's doctor, was he not?—I do not know.

2395. Premchund recommended him, and you gave the money without any security?—Without any security, except personal security.

2396. We will take the case of Mr. Brown. You are not responsible for the original granting of that loan of two and a half lacs; Mr. Robertson was then acting as secretary; that was on the 25th of February 1865.—What were the names?

2397. Brown and Best. But you renewed the loan directly it became due?—I let it lie over.

2398. But you renewed it?—I recollect Mr. Best coming up and asking for it to lie over for so long, which I agreed to, because I understood that they were undoubted. That was on my return from Ajmere; Mr. Best promised to take it up in a short time.

2399. Who were Mr. Brown and Mr. Best, who recommended you to renew that loan?—I did not renew it, but I only allowed it to lie over.

2400. But it was renewed?—Afterwards. I do not recollect its renewal.

2401. You got them to deposit Port Canning share certificates; do not you remember your doing that?—No, I do not; all that I recollect is that Mr. Best asked for it to lie over for a short time.

2402. Did either Mr. Tracey or Premchund ask you to let that loan lie over?—Never. Premchund had always the highest opinion of them because they had a good business.

2403. They were only brokers.—But being brokers in exchange business in Bombay was a very profitable thing in those days, and Mr. Best was of the highest character; he was trustworthy.

2404. You had previously lent, on the 20th of December 1864, 50,000 rupees to Mr. Brown, Mr. Heycock, and Venayek Pandoorung, had you not?—I do not recollect it.

2405. On the 15th July 1864 you passed 30,000 rupees for Mr. Brown, with J. Macfarlane?—Was not that paid off?

2406. No. 10,000 rupees has been paid on one loan, and 5,000 on the other, and there has been a loss of the whole of the rest. When you were called upon to renew the loan of 2,50,000 rupees, did not you take into account what was outstanding at that moment?—I do not recollect renewing that loan.

2407. It is an undoubted fact that it was renewed; and that you asked for the security of 46 Port Canning shares.—I do not recollect it.

2408. Then you did not inquire when you renewed this loan as to that; you do not recollect anything about the transaction?—I do not recollect it, only that they were undoubted at the time.

2409. Did you know anything of Burjorjee Rustomjee?—I do not recollect.

2410. Do not you recollect his father, Rustomjee, who used to be a cabinet-maker, who made black-wood chairs at Bombay? — I cannot recollect Rustomjee.

2411. We will take next Byramjee Hormusjeé Cama. There was a cash credit opened before 1864 for 51,000 rupees in his name, and it ended in a debit against him of 47,773 rupees. A cash credit was opened of three lacs on the 30th of January 1864, and it was operated upon until May 1866, when there was a debit on that account of 6,05,000 rupees. There was another transaction upon which he was a debtor for 98,260 rupees, those are three different cash credits.—Were they all separate credits?

2412. Yes. There was a fixed loan on the 16th of October 1864 of seven lacs; there was another on the 9th of February 1865 of 94,800 rupees, and there was one afterwards on the 1st of May with which you had nothing to do. —Nor with the February one.

2413. It was in your time, but no doubt you were not responsible for it, was there any security taken for either of those three cash credits, all those were loans in your time?—They were granted on personal security to the best of my recollection, the whole of them.

2414. There was no security taken for those loans beyond the personal security?—No.

2415. Was it not an enormous account, amounting to 17,71,682 Rs. when the account was made up in May 1866?—Were there no loans on Government paper?

2416. No. What explanation have you to give of that transaction?—It was strongly recommended by Premchund, and Cama was considered worth upwards of a crore and a half realised in cotton.

2417. Was not that an enormous sum to have on one name?—It was.

2418. Did not you know that Premchund was dealing in cotton with Byramjee Hormusjee Cama at that time?—I was not aware of it; he was a large dealer in cotton himself.

2419. Byramjee Hormusjee Cama was the first man that failed in 1865, was he not?—Yes; I only heard of that.

2420. Have you any other explanation to give of that transaction, except that the money was obtained through the recommendation of Premchund?—No; he was undoubted as to the amount.

2421. Do you think that it was legitimate banking to lend out these enormous sums upon a promissory note. What is your opinion now from your experience of these transactions?—Now, I should say that it would have been better if it had not been done; but these men were of character, and instead of having a great number of small individuals who left Bombay, these men had their

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characters at stake, and would not leave, so that I think that it was better to give a large sum to a number of men who had standing, than to those who had none at all.

2422. Some of these men who had large sums absconded from Bombay. First of all there is Premabhoy Hemabhoy.—He was considered of undoubted wealth.

2423. Next Pestonjee Cursetjee Shroff, he absconded?—Yes.

2424. He had large amounts. On the 21st April 1865 he had 6,97,000 rupees.—It was strongly recommended by Premchund.

2425. He got 6,97,000 rupees without any security; his was the first case after you got your power of lending on shares; the loan to him is the first which appears in the Application Book. Was it not known to you and to everybody that Pestonjee Cursetjee Shroff was speculating largely?—I did not know the man at all, except through Premchund.

2426. He was in everything. He was almost as well known in those days as Premchund, was he not?—I did not know the man.

2427. But one would have expected that the secretary of the Bank of Bombay would have had great knowledge.—But so many of these persons had risen to be great men. I knew that he was considered undoubted, at the time that it was granted, by Premchund.

2428. In the end of 1864 the Opinion Book estimates him at one lac (*Exhibit A* 27), and yet he got 6,97,000 rupees; and he got another lac with Bomanjee Cursetjee, who says that he never got the money. Have you any explanation to give as to how he got the money?—None whatever; except that he was strongly recommended by Premchund as undoubted.

2429. Was not he connected with most of the bubble companies at that time, the Eastern Financial, and the Alliance, and all those companies?—I did not know.

2430. Was not it your duty as secretary of the bank to find that out?—It was an utter impossibility to find out every man. I could not do everything when it was the special duty of one of the directors to find out.

2431. We will take the case of Kursondass Madhowdass. On the 31st of August 1864 there were some fixed loans granted. Mayabhoy Premabhoy had eight lacs, Muggonbhoy Huttising had eight lacs, and Kursondass Madhowdas had four lacs. Those were all partners in Kursondass Madhowdass's firm.—I think that you will find that I was at Poonah during that time.

2432. You know nothing of that transaction?—No.

2433. (*Major Innes.*) Were you absent at the same period in 1863?—Yes.

2434. (*President.*) Are you quite sure that you had nothing to do with that transaction?—I do not recollect the names at all in my time.

2435. Do you not recollect Kursondass Madhowdass coming to you and applying for the money?—I do not.

2436. Do not you recollect asking Premchund to get some money out at that time for you—to get money invested for the bank?—No, he was always bringing applicants. He prided himself upon bringing business.

2437. You did not ask him about investing it at that time?—No, not to the best of my knowledge.

2438. Do you not recollect receiving a letter of the 31st of August 1864, from Kursondass Madhowdass about this loan?—I do not recollect it.

2439. Is not that Premchund's handwriting (*showing a letter to the witness*)?—Yes; he was consulting director, and Kursondass Madhowdass was considered quite safe for it. That is undoubted.

Letter read as follows:

"My dear Mr. Blair,

"Kursondass wants a loan for four to five lacs. I think he is safe for any "amount.

Yours sincerely,

"23d August 1864. PREMCHUND R."

2440. Do you recollect anything about the transaction on the 31st of August, when he and his partners in their several names got twenty lacs, and on the 26th of September he got five lacs more, making 25 lacs altogether?—I do not recollect anything more than that note.

2441. It is a quarter of a million.—I had no idea of such a large sum having been advanced to them until this present moment.

2442. This note of Premchund's is the beginning of the transaction.—It was acknowledged by our own director that he was considered safe for five lacs.

2443. But he got with his firm 25 lacs?—It was obtained through Premchund Roychund for a general purpose.

2444. Kursondass Madhowdass in his evidence says, "No security was given for the loan of four lacs, security was given for the three loans of eight lacs, eight lacs, and five lacs. My firm consisted of Mayabhoy Premabhoy, Muggonbhoy Huttising, and Veerchund Deepchund, besides myself. The proposal was to buy one hundred Back Bay shares at 24,000 or 25,000 rupees premium. That was the ruling rate. The money was to be obtained from the Bank of Bombay as a fixed loan till the 1st of July 1865, on security of the shares. I believe that the two loans of eight lacs each were obtained by Mayabhoy Premabhoy and Muggonbhoy Huttising through Premchund's influence. The loan to me of five lacs was negotiated through Premchund with the Bank of Bombay. (*Question.*) Why were Premabhoy's and Premchund's names kept back?(*Answer.*) It never occurred to me that it was better to keep back their names. There was no reason for suppressing Premchund's name. He was a director of the bank at the time. The question of keeping back his name was never discussed between us." The real fact was, that although these partners' names were put forward, the real party to that transaction was Premchund himself. Then he speaks of Premabhoy Hemabhoy.—Premabhoy Hemabhoy was considered undoubted.

2445. You know nothing further as to this transaction?—No.

2446. I will refer you to the loan to the Eastern Financial Association. Do you remember that loan being arranged with you on the 18th of October 1864; and 10 lacs, that is 100,000*l.*, being paid across the counter upon no other security than a promissory note?—Was it passed by me?

2447. It must have been; you were secretary at that time, and were in Bombay.—It must have been through Premchund; it was one of these large loans which he must have brought to the bank.

2448. Premchund says in the Opinion Book, "We may safely advance 10 lacs." Did you make any inquiry about that Company?—Nothing further than that when they were trying to get additional money from the branches we stopped them.

2449. Do not you recollect such a large loan as that?—No.

2450. Do you not recollect Pestonjee Cursetjee Shroff asking you to lend that sum?—No.

2451. On the 23d of March 1865, which was after your return, a cash credit was granted of two lacs to the same persons, although they had 10 lacs already; do you recollect that?—I do not recollect it.

2452. Do you recollect receiving a telegram from the Surat Branch on the 27th of March, and another on the 3d of April 1865, announcing that they were offered one lac on each day, and asking leave to accept them?—That was what I was alluding to, I think.

2453. Not if you stopped them. Did not you advise the discount of those sums?—Not that I recollect.

2454. We have it in evidence that you did. That makes just 14 lacs which you advanced to that Company. They obtained two lacs more at the Kurrachee Branch. There was altogether issued out of the Bank of Bombay without the least security 16,31,000 rupees to the Eastern Financial Association; that was during your time.—I can only say that the Company was strongly recommended by Premchund.

2455. Do you not recollect that you reprimanded the agent at Kurrachee for granting the last two lacs?—I do not recollect.

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2456. You began to be alarmed at that time?—That is what I allude to; that on my return from Ajmere I found out that various constituents of the bank were endeavouring to get money at the branches, and letters were written to the agents to do no new business.

2457. On your return you advised the Surat agent to lend two lacs, and a few days afterwards you reprimanded the agent at Kurrachee; do not you recollect that?—No.

2458. I have not language to express what I think about such large sums going out upon promissory notes; what is your opinion?—Simply that Premchund strongly advised these large amounts.

2459. Do you mean to say that you would have done anything which Premchund recommended?—Nearly so, at that time; and I think the directors also, as he was in daily communication with the directors, and had every opportunity of speaking to them, and was trusted by everyone; he was considered a millionaire himself.

2460. Did not you know that the Eastern Financial Association was a bubble Association?—No.

2461. Did not you know that they were rigging the market, and buying up their own shares?—No.

2462. It was pretty well known in the market in Bombay; it was a subject afterwards of a suit in the High Court; it was proved distinctly that the directors went into the market to buy up their own shares.—I do not recollect that.

2463. Do you remember who was the secretary of that Financial Association?—He was one of their own people, brought up in the bank; it was Mr. Watson.

2464. Before him do you remember a man of the name of Edward Gunning Ryan?—I do remember Ryan.

2465. He came and negotiated that loan of 10 lacs?—Through Premchund.

2466. When you took that loan of 10 lacs why did you not take it in the name of the directors, as you did in the case of the Alliance Financial Association?—I do not remember. I presume that it was strongly upon the recommendation of Premchund.

2467. To take the name of Edward Gunning Ryan, a man worth nothing, and whom we examined in the hospital?—I do not recollect. I am sure that there could not be an account in his name.

2468. Cash credits were granted to the Eastern Financial Association by that name. Was not that a departure from the instructions which you had received in the Alliance Financial case? In the case of the Alliance Financial Association did not you receive instructions to take the loan in the name of the directors?—It was simply Premchund's advice.

2469. Do you think that if you advanced this money to the Company it was safe simply to take the name of the Secretary of the Company?—It must have been considered so by Premchund, if he recommended it.

2470. As a matter of business, as the secretary of the bank, do you think it was a safe thing?—I think so. I suppose that he must have been authorized to sign for the Company, and it was upon Premchund's strong recommendation that it was all safe.

2471. Was the Company registered at that time?—That I cannot say. It must have been. Does Mr. Ryan or Premchund say nothing about it?

2472. They tell the whole story. Premchund had so many Back Bay shares to sell, and the Eastern Financial Association dealt and trafficked in shares, and they agreed to buy these shares from Premchund Roychund, and so Premchund Roychund got the money from you and the money was paid to him. You were not aware of all this?—Not the slightest. I never heard of it.

2473. How can you justify allowing that advance by the Surat Branch when they had 12 lacs outstanding already?—I cannot recollect that transaction at all.

2474. A telegram came, and it was answered, we have the telegram.—I cannot recollect that point, was I present?

2475. Yes, you had returned from Ajmere then. Was there no reference to Premchund then?—I was guided entirely by him.

2476. Mr. Watson, the manager of the Eastern Financial Association, told us deliberately that he went to those branches, and got the money because he thought that he had had enough from the head office.—It was after I returned from Ajmere. Circular letters were written, upon these things being taken into consideration, namely, that natives were endeavouring to get money at other places. I recollect distinctly having these letters drafted out soon after my return from Ajmere, because it was at some of these places that they were getting this money, namely, at other branches.

2477. Dossabhoy Merwanjee and Company's transactions are the next which I wish to take; the first was on the 24th of February 1865.—I was absent.

2478. The next was on the 23d of May 1865?—I was at home.

2479. The next was on the 17th of March 1866.—I was at home.

2480. That is an important question for Mr. Robertson. Did you ever lend money on land?—Never, it was not allowed by the charter.

2481. You never did lend money on land?—Never.

2482. You never in you time considered yourself justified in lending money on land?—I dared not do so.

2483. Do you remember on the 18th of November 1864 discounting a bill for one lac for Hormusjee Jamsetjee?—I do not recollect; he must have been one of the Jamsetjee family.

2484. There was no security given for that loan in your time; and we find that Premchund Roychund recommended him to you as quite safe; is that your opinion?—I do not remember.

2485. Let us see whether you recollect another transaction. On the 6th of September 1864 the Imperial Banking and Trading Company got a discount of one lac from you, which they subsequently paid off?—I was then at Poonah.

2486. On the 8th of September 1864 they got five lacs; you were back then; do you recollect that?—Yes; it was strongly recommended by Premchund, but I do not recollect whether I passed it or not.

2487. Premchund did not say that he wanted to buy some of those shares?—No, it is not likely.

2488. Do you recollect on the 28th of March 1865 lending them three lacs more?—No.

2489. And on the 30th of March 1865 two lacs more? that makes 10 lacs to the Imperial Banking and Trading Company on no security.—I know that Premchund considered it first class, as he said, undoubted.

2490. Then I am to understand that you lent them 10 lacs solely upon the recommendation of Premchund?—Yes, it must have been so.

2491. You knew nothing of the Company yourself?—I knew nothing of the Company.

2492. You did not know that Premchund was entering into joint speculations with that Company in buying and selling shares?—Certainly not; or none of these loans would have been granted. Indeed, if it had been proved, I doubt whether he would have retained his seat at the board so long.

2493. Did not you ever by any chance refer any of the applications for these large loans to any of the directors besides Premchund Roychund?—No. I considered him quite sufficient.

2494. Do you remember lending Doongersey Gopajee the Muccadum of Merwanjee Framjee 2,50,000 rupees, and two lacs to Dhunjeebhoy Pestonjee, the nephew of Merwanjee Framjee?—No, I do not recollect it. They must have been all brought by Premchund.

2495. There is in reality 14½ lacs lent to the Imperial Banking and Trading Company; 10 lacs actually in the name of the Company, and the other 4½ in the names of the Muccadum and the nephew of the chairman of the Company,

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without any security. It is an enormous amount.—Premchund considered them undoubted.

2496. I will take you to one more case. Do you recollect Sorabjee, the younger brother of the Jejeebhoys?—Yes.

2497. Do you recollect advancing him five lacs upon a cash credit on the 4th of July 1864?—I do not recollect it.

2498. It was to Sorabjee and another, without any security.—It is impossible for me to recollect these transactions. The Jamsetjee family were considered undoubted. They were our oldest constituents.

2499. You do not recollect that transaction at all?—I do not.

2500. You do not recollect Premchund advising that transaction?—I do not, very likely he did; he must have done it unless it was Sorabjee himself.

2501. Here is Premchund's letter (*shewing Exhibit A. 40 to the witness*).—He was considered undoubted; he must have been.

2502. You have no doubt now on whose recommendation you granted that loan?—Certainly not; it must have been so.

2503. You seem to shield yourself under the protection of Premchund Roychund in every one of these loans?—Simply on his own evidence.

2504. And you say, either that you had not the knowledge, or that you did not exercise it, but that you rested upon the recommendation of Premchund Roychund as to the credit to be given to different native parties.—Certainly, I depended upon him.

2505. Are we to understand deliberately from you that the directors knew that this was your practice?—I have not the slightest doubt that they did, from Premchund being one of the board and in daily communication with the rest of the directors; and I am positive that it was all done for the best at the time.

2506. Do you think that it was legitimate or proper banking?—We had little else to go upon except personal security; government paper or railway shares were the only other things, and there was very little in the market to be advanced upon.

2507. Is it not the fact, to some extent, that there was too great an increase of capital?—That is found out now.

2508. You admit that the capital was too largely increased?—Certainly I think so; and it would not have been necessary to increase it to so great an extent if the Government had made over the treasuries at the branches, because the various agents wrote to us to say that if that had been the case many parties would have lodged as much as five lacs with them, but they were uncertain and would not do it. These are only the reports from the agents, there was one from Hyderabad, and one from Ahmedabad.

2509. Was that the ground put forward for the increase of capital?—No, I am only speaking of what might have been the case.

2510. When did the Government promise to hand over the balances?—It was understood that when we opened the branches the treasury balances would have been made over to us, the same as at the head office.

2511. Can you point out any letter authorizing the directors to expect that?—There is no letter that I am aware of.

2512. Can you point out any time when the Government promised to hand over the cash balances to the branches?—I think that it is acknowledged in the new charter, it was certainly understood so, and Sir Charles Wood was constantly written to upon it.

2513. Can you point out any letter in which the Government ever promised that as soon as you opened a branch they would hand over the cash balances at that place?—We always understood that they would do so. The Bank of Bengal had it, and we expected that on the same grounds, the same thing would be done with us. The great delay caused in the granting of our charter in Bombay gave them time to consider the matter, but they never refused us permission to open the branches, so that it was almost giving us consent to open the branches. To the best of my recollection when the new charter was

adopted it was simply a sort of copy of the charter of the Bank of Bengal. I recollect a copy coming from the Bank of Bengal with the alterations or bye-laws, and the same was adopted by our directors before it came from the Council. You will find by the minutes that the Act was passed according to the revised charter of the Bank of Bengal; and the Bank of Bombay committee, to the best of my recollection, adopted the same until it was all altered by the Bombay Council.

2514. As respects that matter perhaps the Act was prepared in the bank parlour.—And was it with no reference to the Bank of Bengal copy?

2515. I dare say that they may have had it before them. I find that there is very little use in taking you through these loans, and I am not going through them, because upon every one of them you seem to rely entirely on the statements of the director. There is one more point. As to advancing upon shares, are you one of those who say that the bank did not advance upon shares?—I think that I have stated so before.

2516. Did you only advance upon shares as a collateral security?—Simply.

2517. What do you mean by the words "collateral security"?—Simply that the directors could make use of the shares should they find it necessary to do so, and thus indemnify the bank.

2518. Collateral security I understand to be security existing side by side with some other security. What were the shares collateral to?—Some of the loans were on personal security.

2519. What other security were the shares collateral to?—Personal security, that is all that I know of.

2520. They were collateral to what?—I cannot answer your question.

2521. Were not they collateral to promissory notes?—To personal security.

2522. And were not the promissory notes collateral to the shares?—It was only on personal security that the loans were granted.

2523. Was not almost every one of those transactions, at any rate after the 12th of April 1865, upon an agreement that the money should be advanced upon a promissory note and shares?—I do not recollect.

2524. Suppose that you lent money upon a promissory note, and by some subsequent agreement took shares as security, then you might say that you had taken them as collateral security.—Most of these shares were lodged afterwards were not they?

2525. Some of them were, but when you lent directly on a promissory note and the deposit of shares, was not the loan on shares?—It would look so.

2526. And is it not stated expressly in this resolution of the 12th of April 1865, "Resolved that the Secretary be authorized *to advance on the shares* of the under-noted Companies"?—Yes.

2527. Is there any pretence therefore for saying that the advances were not advances on the shares?—Certainly not from that; that is a board order.

2528. (*Major Innes.*) When did you first join the bank?—In December 1853.

2529. You were in that bank for about 12 years?—Exactly.

2530. And you were experienced in bank management?—Yes; under the directors.

2531. You were experienced in bank management?—I should have been.

2532. What were your views as to the actual duties of the secretary?—To act under the directors' orders.

2533. As a clerk, or as the responsible secretary. Were you to know nothing, or were you to be the responsible secretary, knowing the business of the bank, and conducting its business?—The latter I should think, as far as possible.

2534. All that you have told us is what you did not know. You say that you did not know the status of these people to whom you were giving money, and that you acted upon Premchund's advice, and you say that you did not inquire into the advances during your temporary absence.—It was utterly impossible.

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2535. Then what did you do in discharge of your responsibility?—There was the opening of the letters from ten o'clock.

2536. What was your salary?—Latterly it was 2,500; shortly before coming away it had been increased.

2537. What did you do which a clerk on 300 or 400 rupees a month could not have done?—I cannot mention that.

2538. What did you do as the secretary on a large salary?—I had a general supervision over the bank.

2539. Did you supervise it?—Most assuredly, as much as I could.

2540. Did you consider yourself responsible for investigating cases in your temporary absence from duty?—The person acting for me was responsible.

2541. And you did not consider yourself responsible to find out what he had done?—No, he was acting under the direction of the directors.

2542. Was it any part of your duty to see that the minute book was right?—I always read over the minute book at the meetings of the directors.

2543. Was it your duty to see that everything was entered in the minutes which should have been entered?—They were read over.

2544. Were not you responsible for entering in them all that should have been entered?—They were generally copied by a clerk, and I never heard that anything was wrong. The scroll minutes were copied and read over on the next Thursday.

2545. Did you not consider yourself responsible for any omission in the minutes of all grave discussions as to the introduction of new business?—Certainly, it should be put on the minutes and read over and confirmed by the directors; the minutes were always acknowledged.

2546. I am talking of an omission from the minutes of what ought to have been put on the minutes.—I never heard of any omissions.

2547. You said that on the introduction of the system of advances on a single name the matter was discussed, and that the directors were unanimous as to the propriety of the introduction of that class of business, and that therefore it was done without any further authority. Was not it a matter which should have been entered upon the minutes when such a change of business took place?—The minutes were entered and read over to the directors.

2548. Was the introduction of such grave business as that deliberately omitted from the minutes?—Everything was entered upon the minutes that was passed by the directors.

2549. Was that change of business entered upon the minutes?—I cannot say.

2550. If it was discussed should it not have been entered?—Certainly not, if no resolution was passed. All resolutions of the directors were entered in the scroll minutes, and copied fair by one of the clerks into the minute book, which was on the next Thursday read by me, or by the person acting for me, to the whole of the directors, and confirmed by the directors.

2551. Was not it a part of your duty to see that when any grave business was done at a meeting it should take the proper shape, and be entered upon the minutes?—Certainly not. The directors would see their own resolution.

2552. The resolution to advance upon personal security only, does not appear there.—It was shown to me yesterday, and acknowledged.

2553. You say that this grave change of business of advancing upon personal security only was introduced by the board; you say that your authority for it was an approval at a meeting; there is no record of it in the minutes, and I wish to find out from you in what shape you got that authority; ought it not to have been put in the shape of a resolution, and to have been entered on the minutes?—I understood that it was.

2554. Was not it your business to see that the Opinion Book was properly kept up, if you were to be responsible?—It was given up; it was dropped.

2555. With a tacit understanding?—Yes, with a note from the Consulting Director,

2556. Could you produce any authority for that?—It was simply in the proceedings which were constantly adopted.

2557. You stopped the Opinion Book because you referred to a director?—I did not stop it. Sir Charles Jackson has referred as far back as 1854.

2558. Then you could not consider yourself responsible for the opinions in the Opinion Book?—Certainly not, when Premchund recommended it.

2559. You considered it unnecessary for your protection?—I considered his word perfectly good, as all the other directors did.

2560. Do you recollect the circumstances of your becoming secretary?—Certainly.

2561. Who proposed and seconded you as secretary?—I do not remember. It was very much against my wish. I was rather against accepting it, and I wish that I had not accepted it.

2562. You cannot remember the name of the book which you say you introduced to keep the board informed of all advances?—It had no particular name; it was a general book for the directors' guidance.

2563. When did you begin it?—Soon after I came from Ajmere on the 14th of March 1865.

2564. And when did you give up the management of the bank?—In April.

2565. It was then about a month at the outside that you could have had the book?—It was on finding out that the people were getting money from the branches.

2566. Did you ever see that book on the table?—Yes; it was constantly being written up; it would take a long time to make these regular entries.

2567. You say that it was constantly there; there could only have been two or three meetings after you came back; have you any recollection at how many meetings it was there?—I do not recollect.

2568. Do you recollect whether it attracted attention?—At the last meeting I recollect Mr. Hannay seeing it particularly.

2569. Have you any recollection of the form of the book?—It was a large book like a ledger.

2570. Was the form in which it was ruled and drawn up like a ledger?—I do not recollect it.

2571. Have you no recollection in what shape that book was kept by you?—Every item as far as I recollect was in it.

2572. Did it not strike you as a difficult thing to prepare?—There was a great deal to do, and one man was specially put apart for preparing that book, he had nothing else to do.

2573. Who was it?—Mr. Duncan.

2574. Had not he charge of the past due bills in your time?—I forget; it was in the accountant's department.

2575. You were not responsible for the accountant's department?—I had a general supervision over the whole. All these men were picked men sent out from home, and, as far as possible, I looked after them to the best of my power.

2576. Who else was cognisant of this book besides Mr. Duncan?—Mr. Robertson.

2577. Anybody else?—All in the office.

2578. Should Mr. Rodgie have been cognisant of it?—Certainly.

2579. Must he have known of it?—I should think so, because he was acting for Mr. Robertson in his absence on my return from Ajmere.

2580. Would Mr. M'Lean know of it?—He was the deputy accountant.

2581. Would he have known of it?—I think so; certainly.

2582. (*President.*) Was the book to be kept in the shape of a ledger, or in the form of a list of outstandings?—It was in the most distinct form possible, so that you could see what every man had.

2583. Then it was not to be kept in the shape of a ledger?—Every man had his own heading.

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2584. His own page of the ledger?—Yes.

2585. (*Major Innes.*) I am to understand that there was a book of that kind in which each debtor to the bank had a page to himself, and each transaction was entered?—Yes.

2586. For instance, if Premchund Roychund had two or three bills discounted, two or three cash credits, and two or three loans, all those items would appear?—They must appear.

2587. Have you any idea how the balance would appear?—All the items were entered, showing it each day.

2588. You actually saw that book in existence?—The book was being worked. I saw the book myself frequently.

2589. How did it work?—I wish that it had been commenced sooner; we had not an opportunity, unfortunately.

Adjourned to Friday, the 20th November, at 11 o'clock.

Friday, 20th November 1868.

PRESENT :

President.

Sir CHARLES JACKSON.

Member.

Major McLEOD INNES.

Secretary.

F. D. CHAUNTRELL, Esq.

ROBERT McILWRAITH sworn, and examined.

2590. (*President.*) I believe that you were a commercial director of the Bank of Bombay ?—I was.

2591. When were you elected a director ?—On the 4th December 1862.

2592. When did you resign ?—The last meeting which I attended was on the 22nd of December 1864.

2593. I believe that you were a member of the firm of Nicol and Company ?—I was and am.

2594. Did you attend regularly at the Bank ?—As regularly as the other duties which I had to undertake permitted.

2595. Does that mean merely on board days ?—On board days simply.

2596. You were a director when the Act No. 10 of 1863 was passed ?—I was a director when it was passed, but it had been under consideration for a considerable period before I became a director.

2597. What am I to understand from that answer; do you mean that all discussion on the subject of the Act was closed at the time when you became a director ?—No ; but on referring to the minutes of the first meeting at which I sat, I observed that there were some minor points only discussed, for instance, the question of obtaining power to grant bills on London for convenience to constituents.

2598. That was refused by the Secretary of State ?—It was. Another point was also discussed at a subsequent meeting on the 2nd February 1863.

2599. What was that ?—There was a letter from the Government. May I be permitted to look at the minutes ?

2600. Certainly. (*The Minutes were handed to the Witness who reads as follows :*—" The secretary drew attention to the fact that the draft Act for the re-incorporation and re-constitution of the Bank had been published in a supplement of the Government Gazette of the 28th ultimo, and circulated ; stating that the Act would be read a first time in the Legislative Council on Wednesday next.") At that meeting a committee was appointed to watch over the interests of the Bank during the passing of the Act.

2601. Who were on that committee ?—Mr. Michael Scott, Mr. Tristram, and the Honourable Rustomjee Jamsetjee Jejeebhoy.

2602. But you were not on the committee at the time when the draft bill was before it ?—No, I had nothing whatever to do with the preparation of the draft bill.

2603. Do you remember the leading provisions of the old Act, and how far they differed from the new one ?—I had never had experience of the old Act. I had never been a director under the old Act, in fact I was a novice altogether and knew very little on the subject. I knew that alterations had been made, because they had been pointed out.

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2604. You were a director under the old Act for some months?—I became a director in December 1862, and I think that the Act was finally complete in March 1863, although it was not published until the following August.

2605. It was published on the 1st of August, and until that time, during those eight months, you acted under the old Act?—Yes.

2606. Did you approve of those alterations? Take the most important. The new Act authorized you to discount negotiable securities generally, without having the security of two independent firms; it enabled you to discount promissory notes or bills, which would not have been allowed under the old Act. Do you think that was a wise alteration?—I saw no reason to find fault with it at the time.

2607. Do you think that it is a prudent system of banking, to lend money upon mere promissory notes?—It entirely depends upon the standing of the person borrowing.

2608. Yes; but that would be giving a discretion to somebody to ascertain who were the proper parties, would it not?—In all banking a discretion must be given as to the parties to whom loans are granted, whether on single names or double.

2609. Do you not think that it would have been safer in a Government Bank to put some restriction upon that?—It might have been.

2610. Do you think that it was wise to allow you (for this was another restriction removed) to discount negotiable securities without any limit as to time? The old Act prescribed three months, the new Act left it quite open, and you might grant (as it seems you did afterwards) loans for ten months.—No loans for ten months were ever given with my cognizance.

2611. But there is no doubt about the fact from the books. Loans were granted on promissory notes for 10 and 11 months.—I certainly disapprove, as a banker, of such long transactions.

2612. Long loans of that sort are apt to become dead loans, are they not?—There is no doubt that the longer the transactions, the greater the risk.

2613. The new Act gave a power of granting cash credits generally without any security whatever being taken. Do you think that that was wise?—As I said before, with regard to all loans, it depends entirely upon the parties to whom they are granted.

2614. Do you think that it was a safe measure, in a place like Bombay, where people were so much connected with each other, more or less, to have so wide a discretion?—I am not aware that in Bombay, at that time, there was a greater connexion, than in any other place. I think not at that time; at that time there was comparatively little joint-stock operation.

2615. At the time when the bill passed?—Yes.

2616. The old Act provided that there was to be no advance by way of discount, loan, or cash credit, exceeding the amount of three lacs; that restriction was removed. Do you think that that was a prudent measure?—I think that the restriction was exceedingly irksome in some cases, because many people were certainly entitled to credit to a much larger amount than three lacs, owing to the wealth which had accumulated in Bombay since the original Act was passed.

2617. But do you not think that in connexion with the power of lending money simply upon promissory notes and negotiable securities, accommodation bills, for instance, it was very dangerous to open the door and to enlarge the amount?—It may have been dangerous, but I do not know that in the most prudently conducted banking institutions in this country any similar limit reducing the discretion of the directors is customary. I do not think that there is any similar limit. I think that the amount of credit granted in this country is proportioned to what is known of the means of the borrowers.

2618. Do you mean to say that it is the practice in this country to lend money upon promissory notes simply to any amount?—I do not know whether it is the custom to lend money, but credits, for instance, are given in this country to an unlimited amount on a simple promissory note, and a credit is pretty much the same as cash.

2619. Do you mean to say that it is the practice of a banker in this country to give, for instance, an advance of a quarter of a million to one firm upon a mere promissory note?—Amongst the exchange bankers of London I do not suppose that even that amount would be considered very extraordinary.

2620. Would you yourself have advanced the money of the Bank of Bombay, if you had known it at the time, upon mere promissory notes to natives in India?—It would have depended entirely upon what I knew of the people who were wanting the money at the time. When I was in Bombay, at the time when I was leaving, I would have granted unlimited credit so far as my means went. I may mention, as an example, that for one man I had a simple verbal authority to purchase a diamond for 80,000*l.*, and I committed my firm to that extent without the slightest hesitation. I instance that as a proof of the confidence which I had in some of the men in Bombay at that time.

2621. Whatever you might do, do you think that it is prudent banking to lend large amounts of money upon a mere promissory note?—Any opinion which I can give upon that matter must be merely theoretical, because I never had any transaction with any bank except the Bank of Bombay.

2622. The old Act prevented anybody from overdrawing his account, that restriction was excluded from the new Act. Did you approve of that alteration?—I presume that in excluding that, it was only meant to provide for trifling overdrafts by oversight; I do not think that it had reference to any other transactions.

2623. You do not think that it would have authorized an overdraft for twenty lacs?—I can only speak of what I presume to have been the reason for excluding the restriction at the time when the new Act was granted. For the abuse of that, if it was an abuse, I do not think that the absence of the restriction can be quite held responsible.

2624. The old Act required the consent of the Governor General in Council to any increase of the capital; the new Act had no such provision; it left it open to the proprietors themselves to do what they liked with respect to increasing the capital up to 2,100,000*l.* Do you think that that was prudent?—I think that so far as the increase of capital was concerned there was nothing particularly imprudent in it.

2625. Of which increase are you speaking?—There were three increases; there was first an increase of half a million, I think that that might be very fairly done. I think that there was an immense necessity for an increase of the capital of the Bank of Bombay when I joined it.

2626. And there was an increase first of half a million?—Yes.

2627. There was afterwards an increase of another half million?—I think that both those increases were judicious.

2628. Then there was a third increase of another half million?—I think that that was still judicious.

2629. Do you think that there was room for the safe employment of so large a capital as that in Bombay?—I think certainly so, at certain seasons of the year. But why I approved of the increase of the capital was that the Bank of Bombay at that time was the custodian, not only of the Government money, but of the balances of all the exchange banks, and without a very enlarged capital the Bank of Bombay was quite at the mercy of these exchange banks at any time that they chose to create a tightness in money. Moreover, at certain seasons of the year, I have known the Bank of Bombay unable to discount Mint certificates, simply because their capital was quite insufficient. It seemed to me fatal to the safety of the Bank of Bombay that that Bank should be going on discounting with other people's money the local applications for discount; and that they required, in order to have security, a large capital of their own. They were restricted from other business, from exchange business, and in my mind that only increased the necessity for an enlarged capital. I would point here to the Bank of England with a capital of fourteen millions and would compare it with their liabilities. The Bank of Bombay having two millions, its capital was absurdly small in proportion to its liabilities to the exchange banks, and to the other depositors, and to the Government.

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2630. If the Bank, as you say, was liable to a sudden call to a very large amount by these exchange banks, was it not necessary that they should have all their securities easily convertible?—There is no doubt whatever that all bankers ought to have their securities as easily convertible as possible, but the Bank of Bombay had no resource to go to, they must be self contained; so that convertible securities to them merely meant securities maturing at a certain time.

2631. You must remember that besides their capital they had large cash balances of the Government.—Yes, but those were liable to be wanted upon short notice.

2632. The balance was between 30 and 40 lacs, and if the Government drew below 30 lacs they had to pay interest.—Yes. The Bank of Bombay had no power of converting their securities, because they had no place to go to to convert them.

2633. I mean securities easily realized.—The securities of that nature which the Bank of Bombay could hold were only Government paper; they could not sell all their private discounts; they could not re-discount, because they had no place to go to at which to re-discount them; and therefore their convertible securities, as private securities, were simply those which were maturing at certain known times.

2634. Ought not they to be convertible at very short periods?—Their limit at that time, I think, was 90 days' sight for advances, and I think that that was quite reasonable.

2635. I will go to another point. The Bank were entirely prohibited under the old Act from advancing on bank shares or the certificates of any shares; and instead of that they had power granted to them by the new Act of advancing on the shares of all public companies in India. Did you approve of that alteration?—I do not know, and cannot tax my memory as to the fact of my being aware of that alteration, or not, at the time when it was made; but I do not say that such a power, in certain circumstances, was not an advantage to the Bank.

2636. At all events I suppose that you would have limited that power in some way, and not have allowed advances on the premia of shares, or on shares the calls upon which were not paid up?—Prudence would certainly have dictated some such condition.

2637. As far as I can collect from your evidence, the provisions of the new Act did not startle you, and you did not consider them altogether prudent; is that the substance of your evidence?—Generally speaking I think it is; at any rate, I saw nothing at that time to find fault with, and I certainly did not find fault with anything; it may have been from inexperience.

2638. Would you not have found fault with advancing on shares, if you had anticipated that the Bank would have advanced upon the premia of shares, or rendered itself liable for calls upon shares not paid up?—It is almost impossible for me to say; judging by the subsequent course of events, no doubt it would have been right to have made provision against that.

2639. Were you a party to the resolution of the 6th of August 1863, forbidding any advance on shares without its being brought before the board?—I was present at the meeting at which that resolution was passed.

2640. Did you approve of that resolution?—It is impossible for me to state positively whether I did or did not; no doubt I considered it prudent.

2641. You did not long remain of that opinion, did you?—No; at least it appears so.

2642. I believe that on the 14th of September 1863 Mr. Ryland, who was acting as secretary, proposed that that rule should be rescinded, did he not?—I am not quite sure whether it was in that form or not.

2643. This is what he proposed, as appears by the scroll minute (*Exhibit* A 132:) "With reference to board resolution of 6th ultimo, it is now resolved that the secretary may exercise his discretion in making advances to persons of undoubted respectability, on their signing a promissory note for the amount

advanced, payable on demand, and depositing with the Bank shares in railway companies, guarantees by Government, or shares in the following institutions—the Oriental Bank, the Chartered Mercantile Bank, the Agra Bank, the Chartered Bank of India, Australia, and China, the Commercial Bank, the Central Bank of Western India, the Comptoir d'Escompte de Paris; such shares not to be transferred into the Bank's name, but to be held simply as collateral security: the margin to be advanced on such shares to be also left to the discretion of the secretary." That was the proposal of Mr. Ryland, that is his handwriting, and his signature, is it not?—Yes.

2644. I believe that you made a minute on that?—I did.

2645. Will you read that minute?—It is as follows: "I would suggest that shares in the Bank of Madras (many of which are held here) be added, and with that addition, that the resolution be formally proposed on Thursday. If all the directors agree, the secretary may act on it in anticipation. The depositor of shares, I understand, signs a blank transfer paper, and signs a letter stating that they are deposited as collateral security."

2646. Mr. Gavin Steel wrote another minute, in which he said that he had no objection to it, but thought that there should be a better security. Then followed a strong protest from Cawasjee Jehangeer. His English is not very good, but it is quite clear that his objection is very strong indeed. He says: "I decidedly protest against advancing on any other bank shares, on the following ground: no security of registry of shares to our Bank, because the opposite bank has lien on its own share; respectability is of no use if pledger is a poor man; all the banks' shares are now got up, by one artifice or other, in value, and fluctuate by 20 per cent. to 25 per cent. in every few weeks. How the margin is to be settled on these shares; it is utterly impossible to do so under present circumstances, and our bank lead in a bad example, first of this kind, and introduce into Bombay as yet practice considered so dangerous that none of our joint-stock banks does advance on other bank shares; lastly, such practice will induce greatly more gaming in shares. I ask my colleagues, for instance, how they keep faith on other bank shares value when each one is increased by 100 and 200 per cent. advanced abruptly. I would wait, and never to have this sort of dangerous business for the present. If I am not in order, my colleagues must forgive me when I say that if this dangerous practice is introduced now, I, as proprietor, would lay the bare fact before my co-proprietors in a general meeting to be called for the purpose." In a subsequent minute he says: "Another argument for to-morrow's meeting, for consideration, I submit, is the shares are not easily realizable, and consequently against sound banking principle." Do you remember that?—I do.

2647. Limjee Manockjee, I think, rather supported Cowasjee Jehangeer, did he not?—I think so.

2648. Then came an opinion of Mr. Inverarity?—He says: "Section 32, clause 1, gives us authority, supposing the banks mentioned are public companies." He had some doubt as to what were public companies, but he adds: "I do object to large balances being allowed to lie in the Bank perfectly idle, as has been the case all this monsoon; and if the new charter allows us to deal as above discussed, we should not be doing our duty to the proprietors did we not avail ourselves of the latitude and field allowed. The Bank loans would be in proportion to the par value of the stock placed with us, not according to the market value, as apparently supposed by Mr. Cowasjee Jehangeer."

2649. You remember that discussion, do you?—I do.

2650. It came on before the board, I think, on the 17th of September 1863, did it not, and a resolution was passed which overruled your view?—Quite so.

2651. That resolution was as follows: "Resolved, That the secretary be authorized to make advances on stock, or shares, in Indian railway companies guaranteed by Government, without such stock or shares being transferred into the name of the Bank, on the borrower signing a form of agreement to be prepared by the Bank's solicitor." The board resolved only to advance on the shares of the Indian railway companies, which a former Act allowed them to do before Act 10 of 1863 was passed; is that so?—Yes.

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2652. What part did Mr. Birch take in that resolution; was he there?—I rather think that he was absent, but I cannot say; it is impossible for my memory to serve me upon it. Though the minute which I made may appear injudicious, it was based, to a certain extent, on the undoubted respectability of the applicants for advances on shares; but I do not regret in the least degree the resolution having been carried, because it clearly laid down that no shares were thenceforth to be advanced upon, and that settled the matter for me, so long as I remained in India.

2653. You were not aware then that shares were advanced upon during the time in which you were a director?—Not to my knowledge.

2654. You are not aware that there was a practical rescision of that resolution of the 6th of August 1863?—I am not aware of that.

2655. You are not aware that a thin disguise was adopted of this sort—that the secretary advanced the money on condition that the share certificates should be deposited with the Bank, not as security, but for safe custody?—No, I did not know of that.

2656. You are not aware of that being the practice?—Not to the best of my recollection. I have not the least recollection of any transaction of that kind.

2657. Were you aware of cash credits being granted on personal security; that is to say, upon a promissory note without any security, during the latter part of 1863, and throughout the whole of 1864?—Not in 1863, so far as my memory serves me. I have no recollection of any in 1863.

2658. Do you recollect it being done before the 2nd of June 1864?—I think that I must have been aware of it about that time.

2659. It is material, because there was a resolution passed about it on the 2nd of June 1864; do you recollect hearing before the 2nd of June that there was such a practice?—(*After looking at the minutes*) I do not think that I was aware of it before that time.

2660. You will see from this book (*handing exhibit* A 33 *to the witness*) that many cash credits were granted upon personal security in 1863. Were you aware that any cash credits were granted upon personal security before the 2nd of June 1864?—So far as my memory serves me, I say no.

2661. Ought not cash credits to have been entered in the application book?—I should say so, certainly.

2662. Were you in the habit of looking at the application book?—Yes; in a general way at the meetings, very often in the intervals of the other business.

2663. What would be the effect if these cash credits were not entered in the application book?—Then I do not think that I should be aware of them.

2664. In point of fact none of these are so entered. Did you ever see this book (A 33) before?—No.

2665. Did you ever see these books, which are the books showing the interest payable on these cash credits upon personal security (*handing Exhibits* A 28, 29, *and* 30 *to the witness*)?—No, I never saw those before.

2666. Were you present at the board on the 2nd of June 1864?—No.

2667. Were you at the next meeting when the minutes of the 2nd June were read?—I was at the meeting of the 9th of June 1864.

2668. Then you must have had those minutes read to you?—I presume so.

2669. Just turn to that minute of the 2nd of June 1864?—It is here.

2670. Were you aware then that there was an authority for granting cash credits in a single name without security?—I think that I must have become aware of it about that time.

2671. Can you tell us in whose handwriting that scroll minute is (*handing Exhibit* A 48 *to the witness*); Mr. Blair was unable to say, the correction is his own?—No, I do not know this handwriting.

2672. Is it Mr. Robertson's?—I should say not; it is not like his signature.

2673. There is no signature there. Is not the handwriting Mr. Robertson's?—I cannot say.

2674. Is it Mr. Ryland's ?—No; I should say that it is not Mr. Ryland's, it is very like the handwriting of these minutes (*referring to the minute book*).

2675. Then I am to suppose that you assented to the granting of cash credits upon the promissory note of the borrower without any security whatever ?—No doubt I did.

2676. Do you think that it was a wise and prudent measure to vest that authority in the secretary ?—It does not appear to me that it was vested in the secretary.

2677. Practically it was. The directors did not reserve it to themselves to do so, but they resolved that such cash credits should be granted, and the secretary acted upon that resolution. Was not it your intention that the secretary should act upon it ?—So far as I recollect it was not the intention.

2678. But is there any resolution which leads you to that conclusion ?—There is no allusion to any change in the system on which loans were previously granted.

2679. But was it not a fact that at that time the secretary was in the habit of granting large loans upon his own responsibility ?—I do not think that he had any authority from the board on record justifying his doing so.

2680. Was there any resolution of the board restricting his authority, except that of the 6th of August 1863 ?—I think that that resolution of the 6th of August 1863 was almost sufficient.

2681. That was only with reference to loans upon shares ?—True; but the shares formed an additional security, so that I think that it would be intended that, when no security at all was taken, greater care should be exercised.

2682. That resolution of the 6th of August 1863 does not contain the words "as additional security" ?—Loans were to be granted to persons of undoubted respectability on their giving collateral security.

2683. Are those the terms of the resolution of the 6th of August 1863 ?—I think that it is so, it is to that effect at least.

2684. Were any byelaws passed ?—No byelaws were passed.

2685. Ought not byelaws to have provided to what extent the secretary should be authorized to advance ?—The byelaws ought to have defined the general system on which the Bank was worked, as I understand.

2686. There were no such byelaws, and no resolution, except that of the 6th of August 1863 ?—There was a general custom providing, as far as my memory serves me, that the power was reserved to the directors.

2687. The resolution of the 6th of August 1863 is as follows: "Resolved, that for the present, and until further orders, any application for advances on any bank shares, or other public companies, other than Government banks, be submitted to the board, and not made by the secretary." There is not a word about any other security.—No; but I think that, if it was necessary to restrict the power of the secretary in advances with security, it was doubly necessary in advances without security. As far as my recollection serves me, it had been the custom to grant loans without security. Applications for loans were submitted to the board, or to three directors. It was the custom to read out the names of the directors for the ensuing week, and the practice should have been to submit these loans to these directors. That, as I understood, was the object of it, and I recollect applications for loans being circulated in a box and the opinions of the directors were recorded on them, as to whether they should be granted or not.

2688. We have only found about fifteen of those discount minutes for the whole of the year 1864, which were referred to the weekly committee, and Mr. Blair in his evidence has said that in the year 1864 he found there was very little use in consulting the European directors about the credit of native parties, and that under some special sanction he consulted only one native director.—He might have given the European directors, who were ready and willing to do their duty, an opportunity to do it at least. If there was a change in the practice I think that he is responsible for it.

2689. There is no doubt that he incurred great responsibility, but that is not the question. I want to know whether you were aware of that change in the

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practice ?—I was not aware, so far as my memory serves me, of any change in the practice up to that time.

2690. Up to the time when you left the Bank, were not you aware that the reference to the weekly committee had almost fallen into disuse, and that the applications for native loans were referred to one director, namely, Premchund Roychund ?—I only attended one meeting of the board with Premchund Roychund, which was in August 1864; and I did not know that it was the custom to refer to him. Up to that time I think that the custom had been to consult Cowasjee Jehangeer.

2691. You are quite right. It was the custom to consult Cowasjee Jehangeer, and everything went right so long as that was the case. Up to June 1864 there was, I think, only one loss (there is a dispute about another); but from the time when he retired was not it the practice always to consult Premchund Roychund ?—Not to my knowledge. I was not aware of its being the practice at that time; if it was the practice, it was without my knowledge.

2692. Mr. Blair says that he believes that all the directors were aware that he was doing it.—I will only speak for myself, and I am certain that I was not aware that Premchund was the referee in loans to natives.

2693. He was not on the direction after September 1864.—No, he was not.

2694. And he joined again in December 1864.—Yes; he joined again, I think, the day after I left.

2695. Would you have approved of the references being made to Premchund when he was not a director ?—In former years, when he was, as was considered, the broker to the Bank, it was customary to refer the brokers at the local branches to Premchund, and sometimes to Cowasjee Jehangeer, and sometimes to Rustomjee Jejeebhoy.

2696. You were not aware that at the head office Premchund was the constant referee ?—I was not.

2697. And that Mr. Blair considered himself justified in making any advance, as he told us the other day, if he had Premchund's sanction ?—I was not aware of it. I never delegated such a power to Premchund.

2698. You never heard of such a power having been delegated to Premchund by the board ?—Not while I was in Bombay at that time; and I am certain that it never was.

2699. Not verbally ?—Not verbally.

2700. Were you aware of fixed loans of large amounts being granted on promissory notes without any security ?—No, I was not aware of it.

2701. Were you aware that there were any large loans in one name ?—No.

2702. You never heard of large advances for long periods, eight or ten months for instance ?—I never heard of them until this Commission discovered them.

2703. We will take a few specimens. We will take the case of the Eastern Financial Association on the 18th October 1864. Were you aware that on that day the sum of ten lacs was advanced to the Eastern Financial Association on a promissory note signed by its secretary Mr. Ryan ?—No. I never heard of it until it was disclosed by the Commission.

2704. Were you aware that the secretary claimed the power to grant, and did actually grant, such a loan ?—I was not.

2705. Were you in the habit of looking at the daily book ?—I was; it was circulated in a box, and was looked at.

2706. Look at the daily book (*Exhibit A* 8 *handed to the witness*). If you had looked at it on the next day, you would have seen under the head of "Bombay Bills" ten lacs and upwards amongst the items of the day before.—I might very easily have passed it unnoticed.

2707. It does not contain any name, but it shows that above ten lacs had gone out the day before. You think that that would not have been sufficient

to attract your notice?—Most probably not. To the best of my recollection I did not carefully scrutinize the items in these balances, but looked at the balance of the day's transactions to see how the balance at the Bank remained. I do not think that I went critically into the different items composing the daily balances.

2708. There is nothing there to show upon what security that advance was made. That was a short loan. I will take the case of Byramjee Hormusjee Cama. On the 14th October 1864 he had a fixed loan of seven lacs; did you hear of that?—No, I have no recollection of it, and I do not believe that it ever came under my notice.

2709. He had at that time cash credits out, one for three lacs, and another for one lac, without security. I believe that that loan was for a long period. There were several for very long periods made payable on the 1st of July 1865, the opium settling day.—No; I think that the 1st of July 1865 was the settling day for Back Bay shares. I never heard of such loans in the transactions of the Bank, to the best of my belief.

2710. Was not it the duty of the secretary to lay all these transactions before you?—Most certainly.

2711. And they ought to have appeared in the application book?—Certainly.

2712. What is your excuse for your supervision not being sufficiently accurate to detect them?—I never considered it incumbent upon me, as a director, to do more than attend the meetings, and give such opinions as I had on what came before me at the meetings, and I think that my responsibility ended there. My own business would have prevented my doing more I think than that, and had more been required I think that I should have resigned.

2713. Who did you fancy was supervising the management of the Bank. You did not leave it derelict, did you?—The secretary had charge, and I think that the chairman certainly had an extra responsibility.

2714. Do you happen to know whether the president did assume any extra responsibility or not?—He took the chair at the meetings; he conducted the business, and said when the business was ended.

2715. You do not know, of your own knowledge, that he did in fact supervise the Bank's proceedings at all?—I have no means of knowing that.

2716. In point of fact, who did attend at the Bank besides the secretary?—I cannot say on what the conviction is founded, but the impression which I had at the time was that Mr. Birch was supervising and taking more than ordinary care of the business. Mr. Birch I regarded, and do regard, as an able man; and my belief at that time (whether correctly or incorrectly founded I cannot say), was that Mr. Birch was doing his duty as chairman of the Bank.

2717. Did the president, so far as you know, keep any private note book of his transactions?—I have not the least idea. I never saw any private note book of his on the board table, to the best of my memory.

2718. Was he in the habit of having an understanding with the secretary, and not formally entering it on the minutes?—I never heard of anything of the sort.

2719. Was there any practice of having some understanding, and not writing it on the minutes, but entering it in the private book of the president?—I never heard of anything of the sort.

2720. Did not the month of July 1864 find you with a great deal more money than you knew what to do with lying in the Bank?—I believe that the balances at that time were very large.

2721. Was not there a great pressure to get it out at that time?—I do not know that the Bank officers were using pressure, but they were no doubt anxious to get the funds employed with the view of paying a dividend.

2722. Was not it a fact that the great object was to get high interest?—I presume that income to a banker is always an important consideration, and no doubt an income or a dividend was an object to the executive.

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2723. Were not the ruling rates of interest enormously high about that time?—I do not recollect what the rates were at the time.

2724. We see them as high as 13, 14, and 15 per cent. upon most of the loans during 1864.—During the monsoon of 1864?

2725. I will not undertake to say in July, but in the latter part of June those were the ruling rates.—I do not recollect the rates at the time.

2726. There was no pressure, to your knowledge, put upon the secretary to advance money, and not to be particular about the security?—Not at all that I am aware of.

2727. It is fair to tell you that from the 1st of June 1864 till about the 1st of May 1865 was about the most disastrous time of the Bank. From the 1st of June 1864 till the end of April 1865 there were large loans, and the losses from them have been enormous. During a great portion of that time you were a director. The six months between the 1st June 1864 and the end of the year were the worst six months of the time. Have you any explanation to give us of a system which resulted in such disastrous loss?—The only explanation which I can give of it is that there were transactions not submitted to the directors.

2728. Is not that open to another question, namely, whether you ought not to have devised some system by which no such concealment could have taken place?—If I, or the other directors, had suspected concealment, no doubt measures would have been taken, but I, for one, suspected nothing of the sort. I left India with the belief that the Bank of Bombay had not a bad transaction on its books.

2729. When did you leave India?—On the 29th of December 1864.

2730. What was your opinion of Mr. Blair?—I never thought Mr. Blair a sufficiently able man to manage the Bank of Bombay.

2731. Was not that also the opinion of Mr. Michael Scott?—I cannot say; he was a greater personal friend of Mr. Scott's than he was of mine; that is to say, he was more intimate with him. But I had no means of knowing what Mr. Michael Scott's opinion was.

2732. Did not Mr. Michael Scott endeavour to get him removed two or three times?—I am not able to say that.

2733. Then you are not able to say whether Mr. Birch stood his friend and resisted it?—I cannot say.

2734. If you thought that Mr. Blair was not such an efficient man as he ought to have been for such a Bank as that, surely you ought to have seen that he was removed?—I had had no evidence of his incapacity.

2735. In fact, as I understand it, your case is that the whole matter was concealed from you?—So far as my memory serves me it was completely so as to those disastrous loans; but, certainly, the loans to Rustomjee Jamsetjee I should have made without any hesitation.

2736. Should you have made them to Sorabjee? He used to be called the "poet," and Rustomjee the "man of business."—I certainly had nothing like the faith in Sorabjee that I had in Rustomjee.

2737. You lent Sorabjee five lacs without any security?—Sorabjee was reputed at that time to have a good deal of money and property.

2738. Were you engaged in the share speculations of 1864?—I never trafficked in shares, that is to say, I never bought and sold shares.

2739. The allegations are made in certain publications which, no doubt, you have seen, and it is my duty to ask you these questions. Can you tell us what allotments you received during the year 1864?—I do not know whether the Joint Stock Bank was established in 1864 or 1863.

2740. It was established in 1863; and it was changed into the Asiatic Bank in 1864.—In 1863, when the shares were about to be allotted, Mr. Michael Scott told me that he was going to put me down for 1,500 shares, for the purpose of obtaining the aid of my partner, Mr. Fleming, to procure a charter for the Bank. I told him that it was useless, and that neither Mr. Fleming nor I would be connected with the Bank; that it was against our policy, notwithstanding that a number of shares were allotted to me; and the day that

they were granted to me I gave them away to private friends. I never signed the articles of association, nor took a profit of a single rupee from those shares. The only other shares that I recollect being allotted to me, or to my firm in Bombay, were ten Back Bay shares, which were granted to William Nicol and Company and friends, as an allotment in that concern, to the constituents and clients of William Nicol and Company, and the partners of William Nicol and Company, the partners of William Nicol and company being most intimate private friends of Mr. Michael Scott. Of those ten shares I distributed five to the constituents of the firm as I call them. Two I gave to Mr. Kessowjee Naik, who had not received any allotment from the company. One I gave to Premjee Jewan, a piece-goods dealer, who was dealing largely with us. Another I gave to our piece-goods salesman, Ardaseer Bomanjee; and one my partners permitted me to give to my brother, who resided in this country. That left five to the firm of William Nicol and Company, which I sold as soon as I possibly could.

2741. Had you any other allotments?—Not that I can remember.

2742. Then I understand you to say that you were not buying and selling shares for the purpose of profit?—No. We kept ourselves as much aloof as we could from what you call the share mania. I can submit a few letters written by me from July 1864 to the time when I left Bombay, showing my freedom from any share gambling. I warned people against taking shares; and on several occasions when people wrote to me to apply for shares for them, I declined to comply with their request. I can give two instances of it.

2743. Did it never occur to you to ask at the Bank of Bombay how much was out on shares?—No, because I did not know that any money was out at all on shares.

2744. Did you know anything of the proceedings of your brother directors? Did you know that Mr. Birch was receiving allotments of shares largely at that time?—Everybody in Bombay, generally speaking, was receiving allotments; I do not know that I could single him out. I have not the slightest doubt that I knew that Mr. Birch had received allotments of shares at that time. I think that Mr. Birch very soon after that time proposed retiring, and employing himself in the affairs of some of these new Banks in this country.

2745. Did you know that Mr. Blair was receiving allotments of shares from every company which was started?—I do not know that I knew it from my own knowledge. I do not think that I did. Having refused to join many new companies established at that time, I was rather out of the circle of that business.

2746. But it is rather singular that a director in business like yourself should not have known of such a thing as Mr. Blair being in almost every company which was started?—I have no doubt whatever that I had a sort of general idea that he, like others, had shares; almost everybody was holding shares at that time.

2747. Do you know that he was actually a shareholder in a rival bank, namely, the Asiatic Bank?—I do not think that that was within my knowledge.

2748. Then again, as to Mr. D. Robertson, did you know that he was receiving allotments?—I knew less about Mr. Robertson than about Mr. Blair. I do not think that it would come to my knowledge that he was receiving share allotments.

2749. Did you know that Mr. Blair, or Mr. Robertson, Mr. Blair particularly, was entering into share speculations?—I knew that Mr. Blair had money, and that no doubt he was employing it. It came under my notice as the secretary of the Elphinstone Company that Mr. Blair had bought two shares in the Elphinstone Company with his own money.

2750. You did not hear of a large speculation of his, buying six of those shares with Mr. Morrison and Mr. Tracey?—No. I knew nothing of it.

2751. You never heard of it, although you were the secretary of that company?—The probability is that I simply signed or initialled the transfers without taking any notice of that whatever. The press of business in the transfer of shares was very great. A great deal of gambling was going on at that time in all shares in Bombay.

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2752. Had you not sufficient knowledge to lead you to make further inquiry as to Mr. Blair being concerned in share speculations?—Nothing special. I have no recollection of anything coming to my knowledge to cause me to make special inquiry.

2753. I suppose that you would have thought it very objectionable for the secretary of a bank, like the Bank of Bombay, to be engaged in every speculation which was going on?—A notorious share speculation at that time I certainly would have regarded unfavourably.

2754. You were not aware that he was?—I was not.

2755. Or Mr. Robertson?—Or Mr. Robertson. I had no special knowledge of it. I distinctly understood that Mr. Blair bought the two shares which he bought in the Elphinstone Company as an investment.

2756. I understand that you do not recollect any meeting of the directors in which it was verbally agreed, and not recorded in the minutes, that the secretary should advance on one name?—I recollect no meeting giving that authority without a reference to the directors. I recollect Cowasjee Jehangeer speaking of first-class borrowers, as he regarded them, objecting to submit their private applications to directors, but I recollect nothing at that meeting which absolved the secretary from his duty to submit loans of any importance to two or three directors.

2757. Can you explain Mr. Birch's minute (he was not able to explain it himself), upon Cowasjee Jehangeer's proposition to increase the powers of the secretary, and to give him a veto upon your proceedings?—I recollect Cowasjee Jehangeer having an idea about the secretary being as good a judge as the directors as to raising or reducing the bank rate of interest, but nothing beyond that; that is, speaking from memory.

2758. Do you recollect that minute written by Mr. Birch about it? I think that you signed your name to it. Just read it through; is not your signature there?—I do not see it.

2759. Do you remark that passage in which Mr. Birch says that the power is practically in the secretary now?—Yes; that, as I understand, has simply reference to the power of being an *ex officio* member of the board, and being able to speak at the board.

2760. And to a veto also?—No. I think that no veto was contemplated. It is difficult to understand Cowasjee Jehangeer's meaning. I do not think that anything more than that was intended; so far as I recollect the discussion, Cowasjee Jehangeer in many cases did not know the meaning of the words which he was using; he was a most worthy and excellent man, but his English was most imperfect.

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WALTER CASSELS sworn and examined.

2761. (*President.*) I think that you were elected a commercial director of the Government Bank of Bombay on the 5th of February 1865?—The letter which I received was dated the 5th of February 1865. I sat for the first time on the 12th of February 1865.

2762. Are you quite sure about that?—I am quite certain. I sat for the last time on the 2nd of March, and I left India on the 14th of March 1865.

2763. I thought that your last sitting was on the 23rd of February 1865?—I think that I sat on the 2nd of March. I may be mistaken there.

2764. Your name is not down in the minutes as one of the directors present on the 2nd of March 1865.—Then you would be right. I do not speak from personal recollection; it was merely a statement which was made to me. I asked for information.

2765. You sat for the last time on the 23rd of February 1865, and you were only a director for six weeks; why did you resign?—I was very ill, and left India on the 14th of March. I may explain with regard to my being elected a director, that when I was asked to serve in the first instance I refused, stating that I was ill and was going to leave India immediately, and was too busy to act. I had the Municipal Bill on my hands, and was overwhelmed with work.

I was, however, pressed to act, because the directors wished to have my assistance with regard to considering the renewal of the government business with the Bank; and it was for that purpose I joined, and that was the only business to which I attended as a director.

2766. You were only six weeks a director at that time; you were, however, re-elected a director on the 10th of December, 1866. The Bank at that date was in fact in liquidation?—Completely so.

2767. There were no losses after that?—No.

2768. I believe that as a shareholder you attended the general meeting of the 7th of March 1864?—I did.

2769. I think that you proposed the resolution which is recorded on the proceedings as follows: It was proposed by Walter Cassels, Esq., seconded by Cowasjee Jehangeer Esq., and carried unanimously, that the capital of the Bank be increased by 52,25,000 rupees by the issue of 5,225 new shares of rupees 1,000 each?—I did.

2770. There were not many shareholders present I think?—They had notice of the meeting, and those who chose, attended. With regard to that, Mr. Cowasjee Jehangeer informed me that he had brought before the board a resolution for an increase of capital, which had been adopted by the board, and he merely requested me, as he could not make a speech himself, to say a few words in bringing the resolution before the meeting.

2771. Before the calls were paid up, there was a resolution carried to increase the capital another half million, was there not?—There was.

2772. That was upon a requisition signed by sixteen shareholders, was it not?—I believe it was; the meeting was called in consequence of that requisition.

2773. That requisition was addressed to the directors?—Yes.

2774. You were present at that meeting?—I was.

2775. I believe that you moved the principal resolution for the increase of the capital?—I did so.

2776. And you made a speech upon that occasion, which is recorded in the Bank proceedings. You said: "At the general meeting at which it was proposed that we should increase the capital of the Bank, I stated my own opinion that it should at once be doubled; but as we were then in the height of the monetary pressure, and as we had power at any time further to increase the amount, I confined myself at that time for the sake of caution to proposing that one new share should be issued for two old ones. Subsequent consideration and examination have strengthened my conviction that the capital should at once be raised to the full limit of the charter, and I shall now propose that this be done." What were the grounds upon which you made that statement?—I may state that in this I was merely explaining a proposal to a unanimous meeting, and therefore had not to argue the desirability of it; but that which led me to propose it, was a statement which had been made to me by the Bank. About the beginning of May I was called upon by Mr. Blair, the secretary of the Bank. He stated that further experience had shewn the necessity for calling up the full amount of the capital; that the majority of the board considered it necessary to do so, and that the time was extremely favourable for getting the money paid up; in fact, that if that opportunity were not taken, it could not be obtained, and I was asked to propose the further increase of the capital.

It was pointed out to me that five days after the passing of the resolution about the first increase of capital on the 7th of March, the Bank of Bengal had doubled their capital, namely, they had increased it from one crore and ten lacs to two crores and twenty lacs; and the reasons which had been stated by the Bank of Bengal for doubling their capital, were in every respect applicable to the Bank of Bombay. The notification of the Bank of Bengal dated 12th March 1864, was as follows: "It is hereby notified that as the present capital of the Bank is insufficient to meet its requirements in consequence of the increase of business, principally arising from the establishment of branches subordinate to the Bank in various parts of the Bengal Presidency, the direc-

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tors have determined to increase the capital." On the 30th of June 1864 the directors of the Bank of Bengal made the following statement: "As the amount of the Bank's capital was proved during the severe financial crisis, already referred to, to be quite inadequate to the wants of the public, and as the branches recently established have opened a wide field for the profitable employment of the Bank's funds, the directors by notification, dated 12th March last, called for an addition to the capital of 1,10,09,091 Rs." The Bank of Bombay had been instigated by the Bombay Government to open branches throughout the Presidency.

2777. How do you mean?—In this way: On receiving the transfer of the Government business it was arranged that the Bank should open branches throughout the Presidency, to receive the Treasuries of each division of the Presidency. It was arranged, that at each place at which there was a Government Treasury, the account of the Treasury was to be handed over to the Bank, and a minimum balance fixed for each branch. I may also say that intimation was given that if the Bank of Bombay did not occupy the field first, before other banks, the other banks would have the preference.

2778. Will you kindly give us references to these facts?—Certainly. Perhaps you will allow me to read a part of a letter from the Bank.

2779. I want the letters from the Government on the subject.—I can give you an extract from a letter of the Secretary of State for India, Sir Charles Wood, addressed to the Governor General in Council, dated the 10th of June 1863 (*Exhibit marked* C 2), which you will find at page 601 of the Correspondence of Government. It is the 17th paragraph, and it runs to this effect:—"I entirely approve of your placing the whole of the Treasury business in the hands of the Bank of Bengal and its branches, as pointed out in paragraph 57 of my Financial Despatch of 16th September 1862. I am also in favour of your encouraging the Bank to establish branches in differents parts of the country, to which the Government Treasury business of the place may be transferred." The next paragraph states the terms. The 19th paragraph states the condition, which is, that the Bank shall not deal in foreign exchanges; and the 21st paragraph says: "The same course should be adopted also in regard to the Banks of Madras and Bombay."

2780. Can you bring it any closer, and show us that they agreed that directly a branch was opened they would hand over the Treasury to it?—Yes; I can give you a reference to that also. Here is an Order of his Excellency Sir George Clerk, the Governor in Council, signed by the Acting Secretary, Mr. Peel. It is of February 1862. It was published as a Gazette Extraordinary. I produce the Gazette Extraordinary of the 28th of February 1862, in which it is stated that an agreement has been entered into (and it gives the whole of the agreement) with the Bank. It adds: "The Bank of Bombay is prepared at once to establish branches at Poonah, Surat, Ahmedabad, Dhollera, Sholapore, and Dharwar, and the notes will be taken and paid at all the Treasuries comprised in the circular of issue mentioned above."

2781. That is with reference to the currency. That was withdrawn by Sir Charles Wood afterwards.—Yes.

2782. Therefore, that would not be applicable.—The Bank constantly complained, and the Bombay Government sent telegram after telegram to the Governor General asking for permission to hand over the Treasuries. This is one:—"Please expedite decision on the draft agreement submitted in my letter 1600" (*Exhibit marked* C 3); and so on.

2783. What is the date of that?— There seems to be no date given.

2784. The date is very material, because after May 1865, of course, the Governor General was very reluctant to hand anything over to the Bank of Bombay.—It must have been about June 1863. At page 315 of the Government Correspondence (*Exhibit marked* C 3) it is requested that the Supreme Government will favour the Bombay Government with their early decisions on the draft agreement with the Bank and the New Charter Act Bill. The directors had addressed an urgent representation on both these subjects.

2785. June 1863 was before you got your new Act.—Yes, it was before it passed through the Council; but the agreement had been made before this as to handing over the Treasuries.

2786. But you could not have opened the branches at that time?—In the Government Gazette on the 28th of February 1862 the Government announced that the branches had been opened.

2787. What branches do they refer to?—Poonah, Surat, Ahmedabad, Dhollera, Sholapore, and Dharwar. It says the Bank is prepared at once to establish branches at those places; and if so, it gives, I should say, the sanction of Government to the opening of those branches.

2788. (*President*). That refers to the Government notification as to the currency, and it all fell to the ground afterwards by Sir Charles Wood withdrawing his sanction from the Bank's having anything to do with the currency; and then it was open to you to cancel the whole agreement, but you did not, and you preferred to go on and take only the cash balances. That passage appears to me simply to refer to the currency business.—I will show you another document. This is a resolution of the Government of India, dated 27th March 1862; it is at page 103 (*Exhibit marked* C 3); they say. "The arrangement with the Bank of Bengal having now been completed for the transfer of the Treasury business at Calcutta, Patna, Mirzapore, Benares, and Dacca, and for undertaking the agency of the Government currency in the circle of Calcutta, the time has arrived when the Government desire to extend similar arrangements to the North Western provinces." Whatever applied to Bengal was to apply to Bombay, and it is a fact that the Treasuries were actually handed over in Bengal.

The letter of the Bank of Bombay gives a kind of résumé of what took place, it is a letter addressed to Sir Charles Trevelyan at the desire of Sir Charles Wood. A deputation from the Bank in January 1864 waited upon the Secretary of State with a view to get these Treasuries handed over, and he referred the Bank to Sir Charles Trevelyan, who was then Finance Minister, and they wrote to Sir Charles Trevelyan. The letter is dated 5th May 1864, and contains the following passages: "You are aware that on the 28th of February 1862 an agreement was entered into between the Government and the Bank of Bombay, by which the latter were to take over the management of the Government Treasury in Bombay, and whereby provision was made for handing over to the Bank, under certain circumstances, the Government Treasuries at those places at which the Bank might establish branches. Before this agreement was executed there had been some negotiation between the Government and the directors, and it was upon the clear understanding that the Treasuries would be handed over at those places at which the Bank should establish branches that the directors entered into the agreement of February 1862. Immediately after that agreement was executed, the directors proceeded to establish branches, and they now have branches at Ahmedabad, Belgaum, Broach, Baroda, Bhownugger, Dharwar, Hydrabad (Deccan), Indore, Kurrachee, Oomrawuttee, Poona, Surat, and Sholapore; but at not one of these places has the Treasury been handed over to the Bank." The fourth paragraph refers to a letter on the subject. The fifth paragraph is as follows: "In the month of January last, a deputation on behalf of the Bank, consisting of Mr. Tristram and Mr. Hannay, waited upon Sir Charles Wood in London, and after some conversation with him he stated that you were in possession of his views on the subject, and that he would write to you again, and that any further communication from the Bank should be addressed to you." The sixth paragraph calls on Government to fulfil the agreement. I need not read that. The seventh paragraph is as follows: "The delay hitherto has been of serious injury to the Bank. In full faith that Government would perform the agreement, and would place at their disposal the several balances at the local Treasuries, the directors at once proceeded to establish branches, but they have not received these balances, and have been obliged to supply the funds necessary for carrying on the business at the branches. The result is that the arrangement, which should have been a beneficial one, has tended to increase, instead of relieve, the monetary pressure which was recently felt in Bombay. Had the arrangement been carried out, it is not too much to say that the great pressure which existed in Bombay would not have been nearly so severe as it was. The delay, moreover, has had a tendency to damage the reputation of the Bank. When a branch was established at any place, it was stated, and publicly believed, that the local Treasury would be handed over to the Bank. That we were justified in

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making such a statement is evident from the Government notification in which the agreement of February 1862 was published, and wherein it was stated that the Bank was prepared to establish branches at the several places therein mentioned. As Government have not, as yet, handed over the Treasuries, the native merchants doubt the *bona fides* and stability of the Bank, and generally abstain from making any deposits at the branches, though they, in some cases, express their willingness to make fixed deposits of large amounts if the Government business is in the hand of the Bank."

It was in consequence of not receiving the Government Treasuries and the balances, as the Bank had a right to expect, that the Bank made the statement to me which I repeated to the meeting, that the whole of the paid up capital of the Bank was absorbed at the branches; and I was not content with that statement from Mr. Blair, but at the meeting I stated it, and I paused and looked at the secretary and the president, who bowed their adhesion to what I stated.

2789. Your words were, "The whole of the paid up capital of the Bank of Bombay is absorbed by its present branches."—Yes.

2790. Who told you that?—Mr. Blair, in the first instance; in the second instance, at the public meeting Mr. Blair and the president bowed their adhesion to what I stated.

2791. And you say that that was because they had not the Government Treasuries?—Yes; and my case is, that the Bank of Bengal at the same time set the example of doubling its capital, and its prudence has not been called in question, but, on the contrary, it has been highly praised.

2792. Was not the business of the Bank of Bengal considerably larger than the business of the Bank of Bombay, and has it not had many more branches?—No.

2793. Have they not been at larger places?—The Bank of Bengal at the end of 1864 had ten branches, and the Bank of Bombay had seventeen branches, and at the very beginning of 1865 they raised the number to twenty.

2794. I am talking about the 9th of June 1864.—There were then thirteen branches open, and three more were opened within a few days. I have prepared statistics of the comparative trade of Bombay and Bengal from the official reports of the Commissioners of Customs, which I beg leave to hand in. These statistics show, amongst others, the following results.—I have taken the last twelve years, for which there are comparative statistics: Comparing the last three years before the increase of capital, that is to say, 1861–62 to 1863–64, with the first three years, namely, 1854–55 to 1856–57, the trade of Bombay shows the following increase: Exports 198½ per cent., imports 158¼ per cent. Aggregate exports and imports 177¾ per cent; and comparing the last three years, 1863–64 to 1865–66, with the first three years, the exports had increased 308 per cent., and the imports 218 per cent., the aggregate being 261 per cent. Then again in 1863–64, the year preceding the increase of capital (these figures are made up to the 30th April), the trade of Bombay as compared with that of Bengal was, exports 57¾ per cent. more than Bengal, imports 111 per cent. more than Bengal; the aggregate exports and imports being 78¾ per cent. more than Bengal. During the four years ending April 1864 the trade of Bombay averaged in exports 42 per cent. more than Bengal, and in imports 58 per cent. more; the aggregate exports and imports nearly 50 per cent. more than Bengal.

2795. Was not that in consequence of the American war?—Partly, but not wholly; and I am prepared to show it.

2796. Would not a prudent person have calculated upon a collapse of trade as soon as the American war was over?—Certainly not; and it has not been so up to the present time. My last statistics are on the 30th of April 1866; during the six years ending then the exports of Bombay were 46½ per cent. more than Bengal, and the imports 58 per cent. more than Bengal, the aggregate exports and imports being 51¾ per cent. more than Bengal. The figures are all here detailed.

2797. Have you taken into consideration, with all that extra business, that sixteen other banks had started in Bombay?—There were quite as many in Calcutta, and I can give you the names. Here is a list of the banks opened in

Calcutta. There were nineteen in Calcutta at the end of 1864, and they all existed when the capital was doubled; and at the end of 1864 there were twenty-two in Bombay, but two of these had not been established when the capital was doubled. I should state that I get that from the calendars only, but I believe that it is correct.

2798. Are those the only documents which you are able to produce showing that the Government proposed to give over the Treasury balances?—I do not know whether it is of any value to show that the Government of Bombay invited tenders at Kurrachee for a bank to take over the Treasury.

2799. Perhaps you will hand to us the paper to which you are referring?—These are only references to minutes; but I will do so with pleasure. Here is a very important document, I think that it is at page 243; it was during Sir Bartle Frere's time, because I see that there is a minute by him. The secretary had laid before the board some suggestions with regard to the Treasury business, and the terms, and he was desired to discuss the matter with his colleagues in the Bank direction.

2800. What is the date of that minute?—It appears to be the 18th of October 1862. The Secretary of Government did discuss the matter, and he then gives an account of what took place at the meeting. He consulted Mr. Birch, and the Secretary of the Bank was called upon to prepare a report of the actual cost incurred by the Bank for conducting the Government business. Fourteen hundred rupees per mensem was mentioned as a suitable allowance. The secretary says: "In reference to this, I agreed that the Government could not be called upon to pay this charge in full, either in the shape of a minimum cash balance being guaranteed, or partly in that form and partly by money payment, and that some attempt ought to be made to fix the actual sum which it would cost the Bank to keep the Government accounts, and that against this should be put down, as a set-off, the profits which they might be expected to realize from the average cash balance. After some discussion the directors agreed to forego any annual money payments, as have been given in Bengal, and said that if the Government would agree to guarantee a minimum cash balance of three lacs of rupees at each branch, they would be satisfied. This represents an annual income at 5 per cent. of 15,000 rupees, or 1,250 rupees per mensem. I am disposed to think this too high, but I fear that the directors, seeing the terms which have been given in Bengal, will not agree to much less. They laid great stress on these terms, and although they admitted that they could fix on no known principles, they nevertheless considered that the Government were under a sort of promise to give them the same, if not similar terms, to those granted to the Bank of Bengal."

2801. That shows that the matter was then under consideration.—It does.

2802. It shows that there was a serious negotiation.—Yes. The Bank of Bengal had received the Treasuries, and the Government were ordered to act towards the Banks of Bombay and Madras in the same way as towards the Bank of Bengal. I may say at once, that certainly the Government of Bombay did not hand over the Treasuries, and did not consider that they had power to do so. The Secretary to Government, on the 10th of December 1862 states, in addressing the Bank: "I am directed to forward herewith, for the information of your directors, the draft agreement to be entered into with the Bank of Bombay, in connexion with the proposed transfer of the Government treasury business at the several stations where the Bank has established branches; and to request its early return;" and the agreement which was sent was that which had been entered into with the Bank of Bengal.

2803. I have never been able to get, and am not sure that I have got now, a distinct promise by the Government that they would, directly a branch was opened, hand over the Treasury balances at that place.—The Government of Bombay pressed the Government of India to grant them the permission.

2804. We will revert to your speech. You stated: "I assert, with very little fear of contradiction, that absolute want of capital has paralysed the Bank of Bombay during the last few years." What did you mean by the Bank of Bombay having been paralysed?—In the first place, a very short time previously to my making that statement, the balance at the Bank of Bombay

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had been reduced below ten lacs; and I believe that it was only by a fortunate accident that the Bank was able to continue its payments.

2805. It was not a very unhappy sort of paralysis, because the Bank paid dividends of nine and sixteen per cent.—It fortunately turned out well, but it might have turned out very badly. That is one observation. The next is, that the amount of the deposits in the Bank was certainly out of proportion to its own capital. It was stated by the Bank, that the whole of its capital was absorbed by the branches, and I believe that six Banks alone deposited in the Bank three crores of rupees at call. Of course there was a very great temptation to make use of that money; but these Banks could, and absolutely upon one occasion some of them did, without any notice call up the whole of their deposits. That was exposing the Bank to a very great danger. I should like to mention another thing, namely, that on the 1st of August, 1864, the following statement appeared in the annual report of the Bank: "The general Treasury balance, which the directors were led to expect would seldom be reduced below the minimum amount, which according to the agreement is thirty lacs of rupees, was for several months at the close of the year, when money was much wanted, considerably under that amount, and on more than one occasion the Government was debtor to the Bank." Of course it was a very good use of money, to lend it to Government.

2806. You got interest from Government for it, when the Balance was reduced below the minimum.—Yes, but the Bank having a right to calculate upon a minimum of thirty lacs being generally kept in the Bank, employed its own funds, and suddenly found itself in the position of a creditor to the Government instead of a debtor.

2807. It is evident that that was contemplated by the agreement, because it provided that when it did happen the Government should pay you interest. —Yes, but it was understood that the balance should seldom be reduced below the minimum.

2808. You go on in your speech as follows; "Now the question is, shall the Bank of Bombay take its legitimate position as a great discount Bank, making large dividends for its shareholders, and gradually extend throughout this Presidency the benefit of an enlightened system of finance, or must it decline business, and sink into insignifiance from want of capital? New banks are everywhere springing up to do the business which we undertook, but have not been able to perform from want of means. All neighbouring establishments are increasing their capital for the same purpose, and I believe that we are yet in the mere infancy of banking in India. The vast business hitherto monopolised by the Shroffs and Soucars will, I think, ere long fall into the hands of large banking establishments, and there is a rich and inexhaustible mine to be worked. Do not let us leave this to other and more energetic banks, but let us increase our capital to the requisite extent, and keep pace with the commerical requirements of the time." Do you not think that that was rather a "go-ahead" speech at the time?—I do not for a moment say, that in speaking at a meeting one does not very often round a period in a little more sanguine way than one would write it; but at the same time I am prepared to defend in the the main all that I have said there.

2809. What did you find practically the case when you came into the direction on the 12th of January 1865; did you look and see how that capital was employed?—I may say that I never heard of a single loan or discount in the Bank of Bombay, nor was I directly or indirectly a party to the granting of one during that short period.

2810. Then you can give us no information as to the practice during the six weeks when you were a director?—I can to a certain extent. When I joined I asked Mr. Scott, who had been a director, what the system of business was; I wished to understand exactly what I was going to undertake; and he told me that the secretary was only empowered upon his own responsibility to make loans on railways guaranteed by Government, and Government paper; that all other transactions were referred either to the board or to the weekly committee; and as no reference was made to the board during the time that I was on the direction, and I never had any reference made to me upon the weekly committee, I considered that no loans had been made, except these.

2811. Am I to understand that you were really under the impression as a director that no loans were granted except upon Government security, railway guaranteed shares, bullion, and mint certificates?—No, I was under the impression that there were other loans, but that they had been sanctioned by the directors.

2812. You were under that impression, although you never heard of one being brought before the board; you supposed that there was no business done?—I supposed that there was business done, but that it was done under the supervision of the weekly committee.

2813. Were you ever on the weekly committee?—I was nominated, but no reference was ever made to me on the weekly committee.

2814. In fact, according to the evidence of Mr. Blair, the practice was discontinued. You were nominated on the weekly committee, but you never did anything?—So I believe.

2815. Then you were not aware of cash credits and loans being granted in one name without security?—I was absolutely unaware of it; I was totally ignorant of it.

2816. You again became a director on the 10th of December 1866; there was no new business done after that; the Bank was quite in liquidation, and all that you were employed upon was to get in old debts?—Yes; there were only some small sums lent, such as 10,000 rupees, on undoubted security.

2817. There is another point which I must speak to you about, and that is with respect to Mr. A. D. Robertson's transactions; he mentioned you as being employed as his friend in transacting his business. Mr. Robertson was a director only to the 12th of May 1864, before the share mania commenced, and before any loss, except upon one lac of rupees, had occurred; and it is very material that it should be known exactly how that matter stands. Are you aware, when he was a director, of his ever having any other shares than certain shares which he mentioned; namely, 150 in the Asiatic Bank, and 30 in the Indian Peninsular Bank?—Certainly not. I believe that he positively had no other shares; I am sure that he never sold any shares except through me, and I am sure that during the time that he was a director he had no other allotments than those which he stated.

2818. Is it not an undoubted fact that Mr. Robertson did speculate largely at a subsequent period, after he ceased to be a director?—I am not aware of it, certainly not; I believe that he never touched a single share that I did not buy for him.

2819. Did he not buy and sell shares after that?—No, he did not; with the exception of those transactions which he stated the other day, he had none.

2820. Have you any other information to give us? you were largely connected with mercantile men at that time, and were holding a very prominent position in Bombay; can you give us any information as to the practice existing at that time in the Bank of Bombay with regard to granting loans?—No, not beyond that which was given me by Mr. Scott. I was away from Bombay from September 1864 till nearly the end of the year, and did not know what was going on at all; I had no communication with Bombay during those months.

2821. Were not you in Bombay at the end of 1864?—I arrived again on the 12th of December 1864, and I left on the 14th of March very ill indeed.

2822. Have you any other information to give us?—There are one or two points in the way of corrections which I should like to make; for instance, I see that in Mr. Premchud Roychund's evidence (I speak under correction) he introduced my name. You asked, "Did you not get three sums of five lacs from the Bank of Bombay on the 8th of December 1864?" and he answered, "I have got three names, Cowasjee Jehangeer, Ritchie Stewart and Company, and Mr. Cassels" (it is on the 17th day of the proceedings). *Q.* "Was it all one transaction?—Yes; we received five lacs a-piece. *Q.* None of these five lacs were from Mr. Tracey?—No; Cowasjee Jehangeer, Ritchie Stewart and Company, Mr. Cassels, and myself." With regard to that, if it appears in the evidence, I have to say that I never even heard of such a thing, and was not in India at that time; I did not arrive until the 12th of December 1864.

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2823. My impression is that we were tracing a sum of five lacs from Mr. Tracey, or from somebody, into his account, and I remember saying to him, "Did not you receive five lacs on that day?" and he said, "I will turn to my books and see;" and he said, "I received three different sums of five lacs on that day." It was just casually said; we wanted to trace a particular sum into his book, and he said, "It is not that."—There is another matter with regard to which you have asked a good many questions of Premchund and others, namely, the Mazagon Company, and the sale of the powder works. The Government sold the powder works by auction, and when the property was advertised my friend Mr. Scott asked me to join him and others in puchasing it; I did so, he having shown me statistics which promised a very large annual return upon the investment. It was arranged between us, when we bought it, that it was to be kept as an investment, that it was not to be made into a company, and that in fact it was to be a private property. I left India upon that understanding, having paid my share of the instalment. When I was returning, three months after, not having had any communication with Bombay in the meantime, I saw in a newspaper at Malta a report of the sale of that property.

2824. For 20 lacs more?—For 20 lacs more. When I arrived in Bombay this news was confirmed, and, moreover, I learnt that I had received 100 shares in the Company, but I knew nothing of any allotment of shares in the Company, and never heard anything whatever about Premchund's having a right to allot half the shares of the Company.

Dr. Diver is represented as saying in his evidence that I was one of the promoters of the Mazagon Company. I knew nothing of it, and never had anything to do with it.

There is only one other point which I will mention, namely, that in the evidence before you it appears that one gentleman, in a very unwarrantable manner, has called the Bombay Reclamation Company a bubble Company; and it is due to the memory of my friend Mr. Scott, one of the most upright and honourable men who ever lived, as well as to myself, to state the truth as to that Company.

2825. The Back Bay scheme is now in existence, no doubt; the Company is in liquidation, but the scheme is going on?—Certainly, and will go on. It has been called a "bubble Company," and I should like to state what the Company really was. I wish to show that the Reclamation Company was not a bubble Company. Government had agreed to provide land to carry the Bombay and Baroda Railway to Colaba, but, while the matter was being considered, the value of land had risen so enormously that Government found itself in a serious dilemma. It had become necessary either to take the line round by Girgaum, at a cost of some 50 lacs, or to undertake an equally great expenditure and very heavy work for carrying it across Back Bay. In this emergency Mr. Scott came forward with an offer to reclaim a considerable part of Back Bay, and, in return for the concession, he offered to give Government one fifth of all the land reclaimed, free of cost, commencing with the land required by the railway company. The opinion of Government regarding this offer may be gathered from two very short paragraphs of a memorandum prepared for Government by their secretary, General Rivers. He says: "The Moody Bay Reclamation is a specimen of the Government prosecution of such works. It has been written about since 1853, when a contract was made for a portion at a rate of two rupees five annas per hundred cubic feet. The present rate is upwards of three rupees, the portion then reclaimed cost six rupees per square yard, including a gird wharf wall, and it is worth 25 rupees per yard now. As to the Reclamation Company's proposal, as the Company can now reclaim land at eight rupees per square yard, and sell it at these sites for from 15 to 20 rupees, their demand seems somewhat high, and a demand of one fifth instead of one fourth would have been reasonable." That is a memorandum, with the notes of the Government upon it, of the 7th of September 1863. The negotiation went on for 12 months. A part of the press, however, had attacked Mr. Scott, stigmatising this concession as the "Back Bay job," and insinuating that Mr. Scott had got an immensely valuable concession by the exercise of private influence. Mr. Scott, with the straightforwardness which characterised him, immediately replaced the concession in the hands of the Government, and offered that it should again be put up to competition. The Government

refused this, and in their letter they say, 'There is nothing new in the general scheme of a Back Bay Reclamation. During the last twenty years various projects have been formed for the purpose.' "Government has formally offered the right of reclamation on terms at least as favourable to those undertaking its execution as the terms which you have accepted, but no one has hitherto appeared ready actually to undertake the work in consequence of its magnitude, and the large capital required for its execution. The work, however, is one extremely simple in its general character. Government has long been anxious to see works of a remunerative character like this undertaken by capitalists."

2826. What is the date of that?—That is in a letter dated the 2d of March 1864, from General Rivers; and much correspondence has passed between Government and various companies and individuals, who expressed a desire to invest capital in Indian improvements. General Rivers further says: "As Government advances no capital and incurs no risk, the main public object is that the works should be executed as speedily as possible. Government feels that it has in your character the best guarantee it can obtain for securing this object. The terms you have offered are in the opinion of Government a very sufficient return for the right conceded, and afford every assurance that the direct profits to the State will be in direct proportion to the success of your enterprise." That is in a letter from the Secretary of the Government.

2827. (*Major Innes.*) The other which you read was the Secretary's opinion?—Yes. But on the margin of that memorandum are the opinions of Government did not agree with the memorandum Government; and whenever they not only agreed to give one fifth of the land they stated so. The Company the Government an interest of one fifth in the reclaimed, but the Government to nominate a certain proportion whole undertaking Government engineers to superintend the work. of the directors This offer was obtained by the Bombay Government, and submitted for sanction Government of India, by whom, after a very considerable delay, a decision upon it. But so far from being a bubble Company, the Bombay Government actually entertained the idea of becoming a partner in the Bombay Reclamation Company, and one fifth of its shares were for some months retained at the disposal of the Government. These shares were afterwards sold at a profit of a million and a quarter. I wish to make one other statement, as a guarantee for my good faith with regard to the Bank of Bombay, I desire to state that I invested 57,000*l.* in the Bank, and have held these shares since 1864 and 1865 to the present hour. I believe that I am the largest private shareholder in the Bank.

JOHN HAWKSWORTH RYLAND sworn, and examined.

2828. (*President.*) When did you enter the service of the Bank of Bombay?—In March 1860.

2829. What situation did you fill then?—Deputy secretary.

2830. You remained there till you obtained leave of absence, in 1864?—Yes, in March 1864.

2831. What was the date of your leaving?—The 14th of March 1864.

2832. After that you resigned, by a letter which you dated from Brighton on the 26th of July 1864, did you not?—I did.

2833. And your resignation was accepted on the 8th of September 1864?—It was accepted; I do not recollect the date.

2834. Were not you afterwards in India in some other employment?—Yes, that of Manager of the Bank of Hindustan.

2835. When did you enter upon those duties?—In October 1864.

2836. When did you resign that post?—I resigned it very shortly afterwards; I returned to England by the first mail in March 1865.

2837. Do you remember the resolution of the 6th of August 1863?—No, I do not remember it. I may perhaps be allowed to explain that I never for a very long time acted as secretary, but that I merely did so during the absence of Mr. Blair the secretary; while he was in Bombay, I had not access to the minutes. It was only during his temporary absence from Bombay.

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2838. Do you remember that resolution now (*handing the minute book to the witness*).—I cannot say positively that I remember it. Of course it is all right, being entered here.

2839. Is not that your handwriting? (*handing the scroll minute of 14th September* 1863, *Exhibit* A 132, *to the witness*)—Yes.

2840. And those are your initials at the foot of it?—Yes.

2841. Do you not there propose to rescind the resolution of the 6th August 1863?—I "respectfully submit that an early settlement of the question is desirable."

2842. Read the whole minute; you will see that you something definite.—Yes, that is undoubtedly my handwriting.

2843–4. You propose "that the secretary may exercise h advances to persons of undoubted respectability, on the note for the amount advanced payable on demand, and d shares in railway companies and other companies ment your suggestion?—I cannot quite recollect. I am believed that it would be quite safe to do so at that t

2845–6. Was it your own suggestion, or was it the or of Mr. Blair?—I used to discuss these matters

2847. He must have been out of Bomba acting. I think that he was at the Poona cannot say, but he must have been absent fro

2848. Was it suggested to you by any dir was.

2849. After all the directors had made min

brought before the board on the 17th of Septe on the 15th instant, inviting their considerat 17th the following resolution was passed: " the secretary be authorized to make advances on stock or sh railway companies, guaranteed by Government, without such sign res being transferred into the name of the Bank, on the borrower rm of agreement to be prepared by the Bank's solicitors."

2850. Therefore it is quite clear that t e majority of the board refused to lend on shares, for they simply resolve.—To the best of my belief that was Government, which they could do befo in the old charter.

2851. Do you remember the discuss ion upon that?—I cannot speak with any certainty.

2852. You do not seem to have a very good memory.—I am quite ready to say that at the time when I made that minute I recommended it.

2853. Who supported it? Mr. McIlwraith has told us that he did, and Mr. Gavin Steel was doubtful what part he should take. What part did Mr. Birch take? was he there?—No, he was not there.

2854. Do you know what the majority was; how many rejected the proposition?—It seems to me that Mr. Cowasjee Jehangeer and Mr. Limjee Manockjee were the only two who were positively opposed to it.

2855. When it came to the board meeting, what was done?—There were then present Mr. Gavin Steel, Mr. Cowasjee Jehangeer, Mr. Limjee Manockjee, Mr. George Inverarity, and Mr. McIlwraith.

2856. You do not recollect anything about the discussion?—I do not.

2857. The proposal to lend money on shares having been defeated, it seems that a new system of cash credits was introduced?—I do not think that the system of cash credits was new.

2858. Was not that a perfectly new system, lending upon a promissory note on one name without any other security?—There used to be a cash credit book kept.

2859. Was not a new system introduced directly after the new Act passed?—May I be allowed to ask when the new Act passed?

2860. On the 1st of August 1863.—I do not recollect the introduction of what might be termed "a new system."

2861. Did the Bank ever under the old Act grant a cash credit on a promissory note on a single name, or on the name of a single firm, without security?—I think that cash credits were granted; I am not positive, but I think that they were granted. There was a book called the report book kept, which was revised by the board every six months, and if a certain person or firm was down in that book as being good for a certain amount during the last six months, I think that a cash credit was granted.

2862. That is against all the evidence which we have received.—I do not feel positive.

2863. It is the universal testimony that under the old Act cash credits were granted upon Government paper, bullion, and railway shares guaranteed by Government.—I do not recollect any new system being introduced; I was not in the board room; these books never came to me as deputy secretary; my duties as deputy secretary were totally distinct.

2864. Are you quite sure that no book showing cash credits granted on personal security ever came under your observation?—If I was acting as secretary.

2865. But as deputy secretary?—The secretary might have been absent for half a day, and then I should have initialed it.

2866. But suppose that he was absent for more than half a day; suppose that he was absent for months together?—I do not think that he was ever away for months together during my time.

2867. Do you not know, as a matter of fact, that from the 11th of August 1863 cash credits were granted upon a promissory note in a single name, without any other security?—If the books show it.

2868. I want to know, first of all, what your recollection is; do you doubt it for a moment?—I do not recollect positively any special case.

2869. As deputy secretary of the Bank can you possibly have any doubt about such an important change in the practice of the Bank?—I do not recollect any such change taking place at that time.

2870. Are not those initials all the way down that page yours? (*showing the book kept by De Ga, Exhibit* A 33, *to the witness*).—Yes.

2871. You recollect that book?—Yes, those are my initials certainly.

2872. You recollect that book?—Yes, as far as my initials go, I certainly recollect it.

2873. Was not it kept by Mr. De Ga, the person who had charge of the cash credit ledger?—Yes.

2874. Did he not keep it for his own protection as a record of these cash credits on personal security?—I suppose that he did.

2875. The practice began on the 11th of August 1863, a few days after the new Act passed, and Premchund's father, Roychund Deepchund, heads the list. Were not you aware of this practice?—I think that it must have been done in accordance with the report book.

2876. What report book?—A book containing the opinions of the directors as to the extent to which each man or firm might be trusted.

2877. That is the opinion book; the opinion book would not authorize anything.—It was understood that the secretary might advance to those persons to that extent, without consulting the directors.

2878. The question is as to the security upon which the advance was to be made. I ask you again, refreshing your recollection by this book (A 33), were not you aware that cash credits were granted during the last half of the year 1863 upon personal security merely?—Yes, from my initials it must have been so.

2879. Did not you also see these interest books showing the amount of interest due? (*handing Exhibits* A 28, 29, *and* 30 *to the witness*).—No, I do not think that these would come up stairs, I think that they would be kept down stairs.

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2880. I do not see your signature, but when you wanted to know how much interest was payable upon a cash credit what did you do?—That was all done by the clerks down stairs.

2881. That was not done by you, you would not send for that interest book?—No.

2882. I suppose that these cash credits ought all to have been entered in the application book?—I think so.

2883. How is it that they were not?—It would be Mr. De Ga's duty to do that, and to send up the book to the board; to initial it himself first, and then to get the secretary to initial it, and then to send it to the board.

2884. Mr. De Ga has sworn that he was told by Mr. Blair not to include these applications upon personal security in that book?—I never told him so, and nobody ever told me so.

2885. Were you aware that any cash credits were excluded from the application book?—I was not; it was never done by my orders, or designedly by me in any way.

2886. Ought they not to have been entered in the application book?—I should think so, and that it was Mr. De Ga's duty to enter them.

2887. Instead of entering them in the application book he appears to have entered them in this book (A 33) for his own security.—Yes, he should have entered them in both.

2888. He was expressly told by Mr. Blair not to do so.—I assure you that I was not aware of it.

2889. The entries in the book are headed "cash credits granted on personal security."—Yes.

2890. What could have been his object in entering them in this book if they were entered in the application book?—I cannot think. I should think that the proper way would have been to have entered it in both books.

2891. But why in this book at all, if it was entered in the application book?—I cannot say, unless it was a sort of guide to himself.

2892. Can it be possible that you could have put your initials to this book, and that there should have been a new book introduced into the Bank without your inquiring the object of it? would you not instantly have said to Mr. De Ga, "What have you this book for? why do you not enter these cash credits in the application book"?—I should have thought that I should have said so certainly, but I cannot recollect at this time what took place about this book; it does not seem a formal book at all.

2893. Your initials are there, and is it not the natural inference for this commission to draw, that you must have known, when you allowed that book to be used, that those items were withdrawn from the application book?—I am on oath, and I can say solemnly that it was not done under my orders, and that I did not know that it was done.

2894. You did not know that they were withdrawn from the application book?—I did not.

2895. Then for what object was that book (A 33) made?—I cannot say.

2896. Can you account for allowing a man to make a new book in that way, and troubling yourself to put your initials against the entries in it, without asking the object of it?—I think that if he had asked for it for his own satisfaction, I should have done so.

2897. If he had asked for it for his own satisfaction, you would have said at once, "The application book is enough for you. What do you want with any satisfaction beyond that?"—I cannot account for it. I am sure that I gave no instructions as to keeping any applications out of the application book. I should never have taken upon myself to do so.

2898. It never struck you as a strange thing to have that new book with that heading?—If any order was given to me by the secretary I should have done so, but I can say that I never gave any instruction upon the subject.

2899. Did Mr. Blair give you any instruction upon the subject?—Not to the best of my recollection.

2900. Did not Mr. De Ga tell you why the book was made?—No, I cannot recollect that he did.

2901. One would have supposed that upon a new book coming before you in that way you would have immediately suspected that something was wrong. Mr. Blair at first, when we examined him the other day, pretended to be totally ignorant of these cash credits, but he was forced to acknowledge afterwards that they were undoubted, and that the fact must be so. Have you had any consultation with Mr. Blair upon this subject?—I have not seen him for years.

2902. Do you not remember the fact of some of these cash credits being granted? The first two were to Roychund Deepchund and Premchund Roychund.—I really cannot. I have been in the service of two banks since that, and it is five years since. I have had a great deal to contend with.

2903. On the 8th of September 1863 Premabhoy Hemchund and Kursondass Madhowdass had four lacs as a cash credit.—I assure you that I cannot recollect the items; I wish that I could.

2904. There was no lending on shares during your time, and none of those large loans commenced till after you left; but this was a point which I really did expect that you would be able to explain.—I wish that I could. My object is to tell you everything which I do know, but I assure you that I do not recollect those items.

2905. Did you superintend the branches?—No.

2906. Who did?—Mr. Donald Robertson. He was appointed as accountant first, and he was shortly afterwards appointed inspector of branches.

2907. You generally knew the system as to the branches, did you not?—Yes.

2908. We find some of your letters upon that subject?—Yes.

2909. Were not there certain printed rules?—There were.

2910. Was the clause ever filled up showing to what extent the agents might go in granting discounts? You will see (*handing Exhibit* A 69 *to the witness*) that there is one clause with regard to discounts which is left blank, and we have it in evidence that it never was filled up. Were those rules issued to all the agents?—Yes. I do not think that the blank was filled up in my time.

2911. I believe that there was at first, at the beginning of your time, a system for Premchund Roychund to revise the discount lists for the branches. Cowasjee Jehangeer did it in his time, and it seems that Premchund Roychund did it, and I find that on several occasions he revised the discount lists for the branches?—Cowasjee Jehangeer was very reliable; and sometimes Cowasjee Jehangeer would write back and say, "Ask Premchund; he knows more of these people than I do."

2912. We find that he revised the discount list of 15th October 1863 for Surat; that was during your time?—Yes.

2913. Did not you write this letter (*Exhibit* A 75) of the 22nd September 1863?—Yes.

2914. Whom did you consult before you wrote that letter?—That letter was written by the direction of the secretary, Mr. Blair.

2915. You write as follows: "To the Agent of the Bank of Bombay, Hyderabad, Deccan," and you say: "In returning revised the list of names of bankers and others at Hyderabad and elsewhere, I am to point out that the information we have been able to obtain here is, to a certain extent, uncertain, and that the directors consider that the agents have better opportunities of ascertaining the means of persons in their neighbourhood. Persons who have been stated to be worth 'any amount' have been fixed at a maximum of three lakhs, that being, in the opinion of the directors, sufficient credit at one time for any person, except in special cases, in which the agents are at liberty to exercise their discretion." Was it the object or intention of that letter to discourage the agents applying for a revision of the discount lists?—No, certainly not. I should say that that letter was in answer to one written by the agents asking for instructions.

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2916. No, it is on the revision. You say: "In returning revised the list of names of bankers and others at Hyderabad and elsewhere," and you go on to say, "the directors consider that the agents have better opportunities of ascertaining the means of persons in their neighbourhood."—I think that that would be right. The agent, if he got in with the natives, was likely to get the best information.

2917. Do not you think that the effect of that letter was very much to cause the agents to discontinue sending discount lists afterwards?—I should not consider so. I should not consider that that letter would lead the agents to be rash.

2918. What is the meaning of the next sentence, "persons who have been stated to be worth 'any amount' have been fixed at a maximum of three lakhs, that being, in the opinion of the directors, sufficient credit at one time for any person"? If you had stopped there it is quite clear that you would have limited them to three lacs; but you go on to say, "except in special cases, in which the agents are at liberty to exercise their discretion." Of course they would exercise their discretion in all cases.—If I had been the agent receiving that letter, if I had ever granted a credit of three lacs, I should have reported it, and have stated the circumstances which had induced me to do so.

2919. The letter seems to say, you may go to three lacs, and more at your discretion. I do not think that it was a very wise letter.—That letter was written by the direction of the secretary. It was the duty of the deputy secretary to compose the letters and to sign them.

2920. You signed that letter as "officiating secretary," and therefore Mr. Blair could not be there.—I think that that must have been a mistake of the clerk, because I never was appointed officiating secretary, even during Mr. Blair's absence up country in March 1863, which I think was the longest time. I was not appointed then to act as officiating secretary; there was no minute upon the subject.

2921. How came you to be allowed to overdraw your account with the Bank of Bombay?—I resigned the service of the Bank shortly after I came home in July 1864, and at that time I did not owe the Bank a penny, and never did owe the Bank a penny, and never held a share of any description. When I came out again I received the balance of my salary, and after that I asked the secretary to allow me a cash credit of 30,000 rupees. I returned to Bombay in the middle of October 1864, and in November or December 1864, when I was totally unconnected with the Bank, I wrote to the secretary and asked him to grant me an advance of 20,000 or 30,000 rupees.

2922. To whom did you write?—Mr. Blair.

2923. For permission to overdraw?—Yes; he wrote back, and agreed to it.

2924. What position did you hold then?—I was then manager of the Bank of Hindostan.

2925. Did he know that you were going home?—Yes; my intention was generally known then, I think.

2926. Did he ask for any security?—No, he did not.

2927. None whatever?—No.

2928. Were you a person of any property at that time?—Yes, I was worth from a lac to a lac and a half, in various securities.

2929. Had you not been speculating largely in shares?—No; my speculations were very small compared with what one has heard of speculation.

2930. The information which we have is that you speculated largely, and that you have involved yourself almost in ruin.—I have been brought to ruin. My largest investment was in Bank of Bombay shares, which shows my opinion of the Bank while I was there.

2931. When do you say this cash credit was granted to you?—I think in November 1864, quite towards the end of 1864; it might have been the beginning of December.

2932. What was the cash credit, which was granted to you?—It was either 20,000 or 30,000 rupees.

2933. There has been a loss of 21,802 rupees on that transaction.—Yes. May I be allowed to explain that when things went bad in Bombay, after I had gone to England, my power of attorney was held by the late Mr. Hurst, who was a partner in the firm of Peel, Cassels, and Co., and he was to sell all my assets, and remit me the proceeds; but there was a large deficiency, to say nothing of the Bank of Bombay shares, upon which there was a great loss. If they had been sold then, it would not have been so. He deposited my Bank of Bombay shares with the Bank, in order to prevent as much as possible the Bank suffering from me. I would submit that that showed every disposition on my part to save the Bank from loss. Mr. Hurst could have signed a transfer as my attorney, and the Bank could have sold the shares and have paid themselves off with the proceeds.

2934. At what date did you deposit those shares with the Bank?—I think that it was in May or June 1865.

2935. Was it not in September 1865?—They were handed in I think before that, because Mr. Hurst died in August 1865.

2936. They were lodged on the 18th of September.—I think that that is a mistake in that account.

2937. No, we have taken it very carefully; we will refer to the register of shares deposited.—My impression was that the date of Mr. Hurst's death was August in that year, and he wrote me that he had handed the shares to the Bank.

2938. Mr. Blair was the person responsible for this overdraft, he was the person who granted it to you?—Yes.

2939. My impression is that these shares were never deposited till September, and this advance was made in November or December of the previous year without any security.—Yes, it was without any security.

2940. Did Mr. Blair ask you what you wanted the advance for?—No.

2941. He granted it to you as a friend I suppose, and from your former connection with the Bank?—I did not ask for it on that ground, but I think that he granted it because he thought that I was good for that amount and more at the time.

2942. How much do you say that this overdraft was?—Either 20,000 or 30,000 rupees.

2943. You ran it up sometimes very much higher than that—up to 40,000 rupees?—I do not think that it ever went beyond 30,000 rupees.

2944. It was upwards of 40,000 rupees in March.—Then there is a large payment on the next day; the cheque perhaps might not have been collected the day before, and it might not have gone to credit; that would account for it.

2945. Just look at the register of shares deposited.—I observe the entry: "September 18th, 1865, by three certificates 23 shares."

2946. Ought not that account to have been headed with the amount for which you were at liberty to overdraw?—Certainly; namely, a fixed limit.

May I be allowed to refer to Mr. Lidderdale's evidence about me? I shall be very brief. He is reported to have said that I left the Bank under circumstances discreditable to my character. That I deny; and I wrote a letter to Mr. Lidderdale when I saw the report, drawing his attention to the actual circumstances, which the records of the Bank will verify. I have already stated to you the dates to show the date, on which I resigned. I went home for six months on sick certificate; I caught cold going home, and wrote asking for an extension of time. I got no reply, and during the interval I was offered the situation of manager of the Bank of Hindustan, and I resigned my other appointment. When I went out I was received in a very friendly manner, and my salary was paid, and I do not think that there were any circumstances warranting that construction.

2947, Were there any circumstances warranting any construction?—Never. I was not indebted to the Bank a shilling at that time; but Mr. Lidderdale's evidence as reported in the papers, would lead to the supposition that I was.

2948. That was not my impression, but that you had done something which the Bank disapproved of.—They never told me so in any way whatever.

Mr. J. H. Ryland.

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2949. (*Major Innes.*) In reply to a question by Sir Charles Jackson, who asked you whether you had communicated with Mr. Blair, you said that you had not seen him for years. You have not communicated with him in any way directly or indirectly?—No, except when I asked him for a testimonial.

2950. You have not communicated with him, directly or indirectly, lately?—No.

Adjourned to Monday, the 23rd November, at 11 o'clock.

Monday, 23rd November 1868.

PRESENT:

President.

Sir CHARLES JACKSON.

Member.

Major McLEOD INNES.

Secretary.

F. D. CHAUNTRELL, Esq.

(*President.*) We have summoned Mr. Hannay, who was for some time the President of the Bank of Bombay, and we have received some medical certificates from him, which will now be read.

(*Secretary.*) I have received the following letter from Mr. Hannay, dated "Queenshill, Ringford, Kirkudbrightshire, N.B., 20th November 1868," in which he says, "Sir, I have your letter of yesterday requesting my attendance in London on Monday the 30th instant. My desire is to be present, but I regret to say I am in such a bad state of health that I am quite unable for such a journey; and my nervous system is so deranged that I am not allowed by my medical advisers to enter upon the consideration of Bank of Bombay business. Certificates will be forwarded to you to that effect, should the same be required. I have the honour to be, Sir, your very obedient servant, R. Hannay."

I have received another letter from Mr. Hannay, dated from the same place on the 21st of November, in which he says, "Sir, referring to my letter of yesterday, I have now the honour to enclose two medical certificates. I also beg to mention that I had recently occasion to consult Dr. Begbie, of Edinburgh, as to the state of my health; he is considered one of the most eminent physicians in Scotland, and his opinion was exactly the same as that of my usual medical attendants. I have the honour to be, Sir, your very obedient servant, R. Hannay."

The certificates are as follows:

"I hereby certify that Robert Hannay, of Queenshill, is in a bad state of health, accompanied with such derangement of the nervous system, that I consider him unable to appear before the Bombay Bank Commissioners for examination. W. Arbuckle, M.D., Inspector General of Hospitals, Queenshill, Nov. 21st, 1868."

The other certificate is of the same date, and is as follows:

"I hereby certify that Robert Hannay, Esq., Queenshill, is suffering from derangement of the liver and disordered action of the heart, accompanied with such derangement of the nervous system, that I consider him unable to appear before the Bombay Bank Commissioners for examination. Patrick Anderson, L.R.C.S. Edinburgh, Castledouglas."

JOHN FLEMING, C.S.I., sworn and examined. *Mr. J. Fleming.* 23d Nov. 1868.

2951. (*President.*) I believe that you are a partner in the firm of Nicol and Company, of Bombay?—I am.

2952. You were in India at the beginning of the year 1865?—Yes, in the early part of 1865.

2953. One of your partners then, I think, was the Hon. Alexander Brown, of the Legislative Council?—He was.

2954. In consequence of some information which I have received, I wish to ask you some questions as to two loans of five lacs each granted by the Bank

Mr. J. Fleming.

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of Bombay in January 1865 to Messrs. Nicol and Company. The first advance was in the beginning of January, and the other a little later in the same month. Do you recollect that transaction?—I do. A cash credit was granted of ten lacs of rupees on the security of my firm's signature.

2955. With whom did you negotiate that loan?—With Mr. Blair.

2956. Will you state to us the circumstances attending that negotiation, and what passed?—I should state that the Elphinstone Company, of which my firm were the secretaries and treasurers at that time, owed my firm 12 lacs of rupees, and they were not likely to be in a position to repay the advance for rather more than a month, I required a part of the money, and I went over to the Bank of Bombay to see Mr. Blair, and to ascertain whether I could obtain an advance from the Bank of Bombay. I was prepared to make explanations as to why I needed the money, and, if need be, to offer security. Mr. Blair granted me the loan at once, immediately on my asking for it.

2957. Did he say anything?—He refused to hear any explanations at all, but turned to Mr. Robertson, who, if my memory serves me right, was in the same room, and said, "Let Mr. Fleming have 10 or 20 lacs, or whatever he requires."

2958. Is that all that passed?—Yes. I urged very much making some explanation, for it was an anomalous thing my borrowing such a sum of money at the time, but he would not listen to anything which I had to say.

2959. Have you any further information to give us as to the way in which the business of the Bank of Bombay was conducted?—No; I had no communication with the Bank excepting on that occasion.

Mr. D. Robertson.

23d Nov. 1868.

DONALD ROBERTSON sworn and examined.

2960. (*President.*) When were you first employed in the Bank of Bombay?—I joined the Bank on the 26th of February 1862.

2961. In what capacity?—As an assistant.

2962. To what department were you attached?—I was not attached to any department at first. I believe that the intention was that I should go up country with one of the agents to a branch.

2963. When were you appointed deputy secretary of the Bank?—I was appointed officiating deputy secretary in, I think, March 1864; I am not certain of the month.

2964. When were you appointed deputy secretary?—At the end of that year.

2965. Was it not on the 6th of September 1864?—I forget.

2966. When were you appointed officiating secretary?—I took charge on the 16th of January 1865; I was gazetted then.

2967. And Mr. Blair came back in March 1865 and acted as secretary?—Yes, for about six weeks.

2968. When did you resign?—I left the Bank on the 31st of March last. I was with the liquidator from the time when the Bank was in liquidation to that date.

2969. I believe that you acted as secretary in Mr. Blair's absence when he was opening branches and so on?—Not always, but I did from the 16th of January to March 1865.

2970. You also acted as secretary in August and September 1864, when Mr. Blair went up to the races at Poonah?—He was away in September 1864; he was only away about a week altogether at that time.

2971. He told us that he was away for a part of August and September.—That was in 1863. I think that in 1864 he was only away about a week or a fortnight.

2972. You will be subjected to a very long examination, but we do not think it necessary to examine you as to Act 10 of 1863, because we have had that from so many witnesses, and you were then in a subordinate position in the Bank; nor as to the increase of capital, for we intend to examine other witnesses still with respect to that. I am very sorry that we are not able to

have Mr. Hannay. We will first ask you as to the practice. From the situation which you held you must have been well acquainted with the practice of the Bank under the new Act—the mode of conducting business ?—Yes.

2973. As to granting discounts, cash credits, and loans ?—Yes.

2974. First of all, we will take the discounts. When was it that the practice of having discount lists was given up ?—I do not remember exactly, but I do not think that there was any list since 1863.

2975. Do you know by whose authority that discount list was discontinued ?—I do not know upon whose authority it was discontinued. All that I know is that several of those lists were sent round to the directors, and that they came back without any information.

2976. What was substituted in the place of discount lists ?—The usual practice was sending round a circular to three directors, the committee for the week.

2977. When was that practice virtually given up ?—It was not given up; in fact, I continued it occasionally in my time.

2978. It was revived a great deal in your time, but in 1864 there were very few discount lists sent round ?—It must have been in the beginning of 1864.

2979. When did you begin to discount promissory notes in one name, or bills in the names of two persons not independent of each other ?—I think that that had been done for a long time.

2980. It could not have been done under the old Act ?—Not in one name; but it could have been done in the names of two persons not independent of each other.

2981. That was expressly prohibited by the Act. The old Act required that the two names or firms should be independent of each other.—There could not be two partners in one firm, but there might be two persons connected together in business in one transaction.

2982. That is another thing. You refer to a firm and its broker. When the house has sold goods, the broker holds them; that is a bonâ fide trading transaction, and it would not be an accommodation bill.—It might be, or not.

2983. If you had acted up to the instructions previously to the Act 10 of 1863, the two names ought to have been independent of each other ?—Yes.

2984. When did you adopt the system under the new Act of granting loans upon promissory notes in one name, or in the name of the borrower or borrowers only ?—It must have been at the end of 1863, I think. I did not grant any at that time, but I believe that there were loans granted at that time, or rather one name taken.

2985. Did they begin in that year with discounts ?—I could not say that from recollection; the books will state that.

2986. When did you begin to discount bills which were to run for a longer period than three months ?—I do not think that we ever discounted such a bill, excepting one in 1865 to Dossabhoy Merwanjee and Company.

2987. Did you not grant a bill to Kursondass Madhowdass' firm ?—We did not call them bills discounted; they were generally on promissory notes.

2988. The new Act imposed, I believe, no limit as to the amount ?—No limit.

2989. When did you begin to grant cash credits on the security of promissory notes merely ?—In 1863.

2990. Then your memory is better than Mr. Blair's, who, until we actually put the thing before him, would not believe it. Here is a list in Mr. Foggo's evidence of the loans granted in 1863.—Yes; the first is the 11th August 1863, Roychund Deepchund, one lac. The next is 7th September 1863, Calliandass Mohundass and Nusserwanjee Ruttonjee, two lacs. The next is 8th September 1863, Premabhoy Hemchund and Kursondass Madhowdass, four lacs. The next is 11th September 1863, Roychund Deepchund, one lac. The next is on the 11th of September 1863, Premchund Roychund, one lac. The next is the 12th of September 1863, Rustomjee Jamsetjee Jejeebhoy, two lacs.

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2991. Do you remember anybody giving the order for that change in the practice?—No.

2992. Do you remember upon whose suggestion it was that the change was adopted?—I do not remember, but I should think that the new Act was taken advantage of.

2993. Do you not recollect that the suggestion was made by Premchund himself to Mr. Blair?—No, I do not recollect that; it might have been.

2994. Used you to sit in the same room with Mr. Blair?—No; I sat in my own room. At that time I had the care of the correspondence.

2995. Were not the chairman or directors at all consulted as to granting cash credits in one name?—I could not say.

2996. You were not secretary at that time, certainly.—I might have been spoken to, but I do not think that there was anything in the minutes.

2997. Here are the sums entered in this book (A 33).—Yes; I know what this book is.

2998. You will see your initials.—Yes; that was when I was deputy secretary.

2999. Ought not all these cash credits on personal security to have been entered in the application book?—Yes.

3000. Why were they omitted?—I cannot say; I did not know that they were omitted till the beginning of 1867.

3001. Who called your attention to it then?—Mr. Stuart.

3002. I am surprised to hear you say that, because you will see that at the same time that that omission was made from the application book, this new book was started.—I will tell you what that book is for.

3003. We know what it was started for, because Mr. De Ga has told us.—The deputy secretary had charge of all bills and vouchers representing debt; and each department, as they sent up the documents having passed through their books, sent in a book like this for the deputy secretary, and he initialed it for them, showing that the bills had been sent up. I think that that was started because some of them had been mislaid at the time.

3004. At the time when these new cash credits on personal security were granted, this book was made with this heading, "Cash Credits granted on Personal Security"?—Yes; you will find a book for bills discounted at the same time that this book was commenced. They were all started at the same time, because I believe that a bill had been mislaid.

3005. You must have been aware at the time that these cash credits were granted on personal security?—Certainly I was; they commenced in Mr. Ryland's time; but when I took charge you will see by my initials that there are not a great number of them.

3006. You knew that these cash credits were granted on personal security?—Certainly.

3007. Did it not strike you that the application book would be quite sufficient without that book?—No, the application book would have nothing to do with it. The application book was merely for the directors and the secretary to look at. This was merely a book for the deputy secretary.

3008. Why was not there a book of this sort before, when the cash credits were granted under the old system upon Government security?—Because they were not represented by the same kind of documents, and the Deputy Secretary had not them to keep; they were kept by the Registrar of Securities.

3009. Would not these promissory notes be kept by the deputy secretary?—Yes; anything in the shape of a promissory note was kept by the deputy secretary, but the others were kept by the registrar of securities.

3010. You say that it was necessary to have such a book as this?—It was necessary for the clerks in the department.

3011. Were you aware of any order given that these cash credits were not to be entered in the application book?—No.

3012. You never heard that Mr. Blair gave a positive order to Mr. De Ga to that effect?—I never heard of it except from Mr. De Ga himself, when I asked him in 1867 who gave him the order, and he then told me that it was Mr. Blair, and I told him that I certainly did not believe it.

3013. Do you remember the resolution of the 2nd of June 1864 being passed by the board? (*the minute book being handed to the witness*)—Yes.

3014. Just read it to refresh your memory.—Yes, I remember it.

3015. What had you to do with the preparation of it?—I believe that I drafted the scroll minute.

3016. Why, and for what object?—I do not know whether the suggestion came from myself. I do not remember, but I think that it did. I thought that it would be a very good plan to introduce a system of cash credits such as they have in Scotland.

3017. Was not that calculated to lead every director to suppose that you had had no such practice before?—This was written a year previous to its being passed.

3018. It was brought forward on the 2nd of June 1864.—Yes.

3019. Was not that calculated to lead every director, except those who knew the contrary, to suppose that cash credits were not granted except on the security of two names?—I admit that it might be open to that, if they did not know.

3020. We have it distinctly on oath from several of them that they did not know, and that they thought that that resolution was the first authority for such a practice, whereas, the fact is, that the practice had been in existence for 11 months. If that minute was drafted a year before, why was it not laid before the directors?—It had been laid before the directors.

3021. When?—Shortly after it was drafted, I should think.

3022. Does it appear in any proceeding that it was laid before the directors; we have not found it in any minute?—I cannot say, but if you had asked Mr. Blair, he would have told you that it had been written for a year, and I believe that the directors then thought that that was not the time to introduce the practice.

3023. And yet it was continually done by the officers of the Bank?—I think so. I am only speaking from recollection.

3024. You are personally responsible for it?—I cannot of course tell anything except from recollection.

3025. From your recollection the directors thought that that was not the time to introduce the practice, and yet from the books it appears that it was a practice constantly adopted?—Mr. Blair would have been able to tell you better than I can.

3026. Mr. Blair was unable to tell us anything. As you originally drafted the minute, was it drawn up in the terms in which it was eventually passed?—I could not say.

3027. Did you say in the original draft that the Scotch system of cash credits was to grant them upon one name only, with or without security?—I rather think not.

3028. Did you not in the original draft say that the Scotch system required the security of two names?—I do not know that I said two, but I said possibly one or more good names.

3029. The original statement in the scroll minute was perfectly correct in describing the Scotch system.—I do not think that I altered it afterwards.

3030. But Mr. Blair's handwriting alters it into one name. Is it a correct statement of the Scotch system to say that cash credits are granted in one name?—I know of one instance where a cash credit has been granted in one name.

3031. But we are talking of a system.—That is not the Scotch system.

3032. Were you aware of that alteration in the minute at the time?—No, I did not know that I was.

Mr. D. Robertson.

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3033. Did you never as deputy secretary look at the minutes after they were passed?—Not often; I had quite enough to do with my own work at the time.

3034. Is that your handwriting? (*handing the scroll minute* A 48 *to the witness*)—No; this is Mr. Hannay's handwriting, I think. No; it has been written by a clerk; it has been copied from my draft.

3035. You see what you dictated originally?—Yes; I see that the words were "On a bond for a certain amount being signed by the party requiring the accommodation, together with two good names as security."

3036. And it was altered from "with two good names as security" to "with or without good names as security according to the credit of the party"?—Yes.

3037. I want to call your attention to another passage in it: "At present no person in however good credit can have a credit account with the Bank unless he can lodge Government paper as security, besides signing a bond, which has to be renewed every three months. Whereas, if the above system was adopted, the accounts might run on from year to year," and so on. Was that a correct statement to lay before the directors on the 2nd of June 1864?—I can only say what I have said already, that the minute had been written before this; it certainly ought to have been altered.

3038. Am I to understand that you were no party to it being laid before the directors on the 2nd of June 1864?—I might have been. I will not say that Mr. Blair did not speak about it, but I do not remember.

3039. It was in fact calculated to mislead a director, and to lead him to suppose that up to that period no cash credits had been granted in a single name, and that it was necessary to pass this minute in order to allow it?—Yes.

3040. You admit that?—I cannot help admitting it.

3041. You were not present at that board meeting?—No.

3042. Were you ever present at a board meeting when the secretary was present?—I might have been called in, but not often, not half a dozen times n my service.

3343. Do you know why that scroll minute was altered so as to assert an untruth?—I do not.

3044. You say that you did not know that those omissions occurred in the application book. Have you ascertained (it must have been your duty to do so) how that omission took place?—I asked Mr. De Ga, who had charge of the book, why it was, and he said that Mr. Blair had told him to do so.

3045. But I think you have said that you did not believe Mr. De Ga?—Certainly. I think that Mr. Blair would have told me if he had given such an order.

3046. Somebody must have given the order?—Certainly.

3047. Then who did give it?—I cannot say; nobody had any right to give the order except Mr. Blair.

3048. Then why should you disbelieve Mr. De Ga's statement?—Because I believe that it is absurd.

3049. Is not Mr. De Ga's statement confirmed by the book itself?—The entries are certainly not there, but I do not believe that that confirms his statement.

3050. I should say that the evidence of a man, supported by the book, is quite satisfactory. If you think the contrary let us know the reason?—He must have said so in order to justify himself.

3051. Do you think that Mr. De Ga would have left out all those cases of cash credit upon his own responsibility?—No.

3052. Then who do you think gave him the order?—I must have misunderstood some order which Mr. Blair gave him; that the only explanation which I can give.

3053. Was not the effect of that altogether to conceal from the directors the advances upon personal security?—I do not think so; there were other books from which they could have seen it, and that book was never looked at.

3054. What other books could they have looked at?—Those advances appeared in all the ledgers of the Bank, and they appeared in a book which we had in the directors' room, which was prepared at the end of 1864 or the beginning of 1865.

3055. What book was that?—A sort of regular ledger for outstandings.

3056. By whose order was that book prepared?—Mr. Blair's, I think.

3057. After he came back from Ajmere?—I do not remember when it was, but it was, I think, before that.

3058. You swear that there was a book of outstandings?—I will swear that there was a ledger of outstandings.

3059. When was it commenced?—I cannot tell you; the book itself will show.

3060. Was there such a book in the Bank when you left it?—Yes. I had not seen it for some time, but I suppose that it was there.

3061. Did Mr. Stuart know of that book?—Yes; because when we asked what was outstanding against any man, he went to this book to look at it, which gave him the whole, from the different branches, as well as from the head office.

3062. When was this book made up?—At the beginning of 1865.

3063. And when after that time?—It was written up every day; it was of very little use after that.

3064. Is it not very extraordinary that, although we asked for such a book, we never got that book, and nobody knew that it was in existence?—It was written up in the directors' room; the clerk who wrote the book left the directors' room every day; the book was there on the table when they came.

3065. What sort of a book was it?—A very large book; it was necessarily a very large ledger.

3066. I believe that you have had several conversations with Mr. Blair about the Bank business since this commission has been appointed?—Yes, several.

3067. And you have consulted together as to the evidence which you will give?—Certainly not.

3068. You have spoken together about the evidence taken in Bombay?—Yes.

3069. And you have consulted about it?—I do not think that I consulted much with Mr. Blair, because he was not in a state of health to be consulted about it.

3070. I must say that after all the pains which we have taken to get the book of outstandings, we shall be very incredulous, unless you give us some evidence in support of your assertion as to the existence of that book, because it is impossible that Mr. Stuart could have been ignorant of its existence.—It is of no use my saying that that book existed, unless it did exist.

3071. We asked every director whether there was such a book. Can you explain why they never heard of such a book, and why one of them, Mr. Brown, took credit for having introduced such a book into the Bank at the end of 1865, for the first time?—It was introduced at the beginning of 1865; of that I am certain.

3072. When did you begin to grant fixed loans on promissory notes or bonds, simply?—I think that some were granted in 1863. I do not remember, but I think so; there were some in 1864 certainly.

3073. They were granted on promissory notes, or bonds in one name, were not they, without any other security?—Yes.

3074. Were not they granted also for long periods?—Yes.

3075. Longer periods than three months?—Yes; they were granted repayable on demand, but certainly on the understanding that they were not to be called up for a much longer period than three months.

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3076. Sometimes ten or eleven months?—I suppose nearly as long as that; not quite so long.

3077. And some of them were not entered in the application book?—Some of them I believe were not.

3078. Are you quite sure that you showed Mr. Stuart the book of outstandings to which you have alluded?—I am not certain.

3079. You were acting under him after he became liquidator of the Bank?—Yes.

3080. Will you swear that that was one of the books given over to the liquidator?—No. I had nothing to do with giving the books to the liquidator. Mr. Stuart had been secretary twelve months before.

3081. Did you ever see that book after Mr. Stuart took possession?—I think that I did.

3082. If there was any such book Mr. Stuart must have seen it, because he would have availed himself of it in order to have made out a list of outstandings, would he not?—I think so. The list of outstandings was not made out by Mr. Stuart; it was made out by a clerk.

3083. But it was made out under his direction.—But he would not look at the books.

3084. By whom were the loan bonds filled up?—By a clerk in the loan department.

3085. Who looked over them after he had filled them up?—The accountant should have done so.

3086. Did the secretary or the deputy secretary never look at the securities to see whether they were correct?—He never looked at them so far as I remember; he may have done so, but it was not his duty.

3087. Here are two of the forms of bonds which we have brought home, and they are all filled up much in the same way. I will read one of them (*Exhibit* A 51). "Be it remembered that on this 28th day of December 1864 I have deposited with the Bank of Bombay P.S."—What does "P.S." mean?—Personal security.

3088. "To the amount of company's rupees 6,25,000 only, as security for the repayment, on the 1st of July 1865, of the sum of company's rupees 6,25,000 only." Did not you say just now that these bonds were made repayable on demand upon the mere understanding that the loan would be for a longer time?—But there was a promissory note without the bond. We could have acted upon the promissory note.

3089. It would have been a clear defence to an action on the note to have put in that bond. Do you think that it was good banking to lend 6,25,000 rupees for eight months?—In ordinary circumstances it would not be.

3090. What were the extraordinary circumstances which made it good banking?—An increase of the capital had then taken place, and there was a large amount of money coming in, and I believe that the wish was to get out as much money as possible to what were then considered good men.

3091. For a long time like this?—Yes. Of course it was supposed at that time that the longer they took it the better for the Bank.

3092. Do you mean to say that the increase of capital rendered it desirable to resort to bad banking?—No.

3093. But that seems to have been the result?—Looking at the result it seems to have been so.

3094. The bond goes on as follows, "this day advanced by them to me with interest thereon at the rate of company's rupees 15 per cent. per annum, and I agree that, in case default should be made at the expiration of the said period, interest shall then be chargeable at and after the rate of company's rupees 12 per cent." Do you understand what the meaning of that is, namely, that interest should be payable at 15 per cent., but that, if the man was a defaulter, it should be payable at 12 per cent.?—That is the form of the bond relating to Government notes, and there was no anticipation that there would be default.

3095. Here is another bond (*Exhibit* A 151). I believe it to have been the practice to draw them up in this informal manner: "Be it remembered that on this 25th day of February 1865 we have deposited with the Bank of Bombay personal securities to the amount of company's rupees 2,50,000 as security for the repayment, 14 days after date, of the sum of company's rupees 2,50,000 rs. this day advanced by them to us, with interest thereon at the rate of rupees 14 per cent.," and then again with 12 per cent. in case of default.—That would be in the same way.

3096. That I think you must admit shows a very careless administration?—I never saw the use of the bond; I considered the promissory note just as good.

3097. I now want to call your attention to the advances made by the Bank on shares of public companies. I believe that you recollect the resolution of the board of the 6th of August 1863?—Yes. I cannot say that I knew of the existence of it until long after I took charge myself, and inquiries were being made.

3098. You did not know of it at the time?—No.

3099. Then you cannot tell us who was the author of it?—No.

3100. Or what discussion took place at that time?—It is very curious how it was put in at the end of the minute in this way.

3101. Do you remember an attempt being made to alter that prudent resolution on the 14th of September following?—No.

3102. Here is Mr. Ryland's scroll minute in his handwriting (*Exhibit* A 132); you will see what was proposed.—Yes; it is the first time that I have seen the scroll minute. I was away then. I was then inspector of branches, and I think that I was at Hyderabad.

3103. You never heard of these discussions as to whether the Bank should advance on shares or not?—No, I never heard of them.

3104. You never heard that Cowasjee Jehangeer stoutly resisted it?—No.

3105. When did you first hear of any discussions about advancing on shares?—I do not remember hearing of any discussion about it until the meeting in April 1865.

3106. You were present at that meeting on the 12th of April 1865?—I think so.

3107. Did Mr. Blair, or you, call the attention of the directors on the 12th of April 1865 to the fact of these previous discussions?—I do not think that I was present at the meeting.

3108. You were then expecting to become secretary, and I should have expected that you were present.—I may have been. I was away for some time then, that is in April 1865. I was in the Bank on that day I know, but I was away afterwards.

3109. Are you not aware that, notwithstanding these resolutions of the directors, advances were made in fact on shares in 1864, although they limited it nearly to shares in railways?—I know that several large loans were granted on shares which were taken, but the loans, I believe, were not granted on the security of the shares alone.

3110. Was not it the agreement that the money was to be advanced on a promissory note, and that the shares were to be deposited for safe custody?—Yes; I believe so.

3111. That was the system. What did you mean by "safe custody"?—The meaning, as far as I understand was, that if the loans were not paid off, the shares could be used.

3112. Was not that lending money on shares?—It might be indirectly; the intention was not that.

3113. I do not see how it was lending on shares indirectly; it appears to me to have been doing so directly.—The loan was granted to these people, but as it was a large amount, the shares were taken and kept in safe custody in case of accident.

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3114. If I lent you a sum of money upon a house and the furniture of the house, I apprehend that I should lend money both upon the house and the furniture?—Certainly.

3115. And if I lent money upon a promissory note and shares, I apprehend that I should lend money on both?—If you lent money to me, and if you did not get my house transferred to you, you would not say that you lent the money upon my house. Would you not consider me good for the amount without the house?

3116. If I took the security from you of a promissory note and the deposit of title deeds, I should lend you the money upon the promissory note and the security of your house.—I do not look upon it in that way.

3117. It is certainly the common-sense view. There can be no doubt whatever that that was the practice, was it not, long before the 12th of April 1865, namely, to have the share certificates deposited for safe custody?—In three or four instances I think that it was the case. If you will give me the names, I can show you.

3118. Is that your letter? (*handing Exhibit* A 122 *to the witness*)—I do not remember the letter, but I have no doubt that I wrote it. (*After looking at it.*) This is my handwriting; it must have been in answer to a letter.

3119. The letter is as follows: "Private—Bank of Bombay, Bombay, 6th of March 1865;" that was more than a month before that order was passed. "My dear Cowasjee, We do not, as a rule, advance upon any shares, but in some instances we have granted loans on personal security, and have received Back Bay and Elphinstone shares from the parties for deposit in the Bank for safe custody. Of course the parties consider that these shares are lodged as collateral security." I shall have to refer very often to this expression "collatera security." What do you mean by those words?—I mean security deposited when the loan was granted, which could be used if necessary.

3120. I want exactly your meaning of the word "collateral"?—That is exactly what I mean, that security was deposited.

3121. "Collateral security" means a security running side by side with another, does it not?—That may be the literal meaning.

3122. Is there any other meaning?—No; certainly not.

3123. Then if it is running side by side with another security, the security is on both?—Yes.

3124. Will you refer to the resolution of the 12th of April 1865?—Yes; I see it.

3125. Have you the slightest doubt that you were present when that resolution was passed?—I have not the slightest doubt that I was in the secretary's room, and it was drafted by me, if I remember rightly, but I cannot say that I was present at the meeting.

3126. Were the directors informed of the previous discussions, and were they shown the minutes on former occasions when this question was discussed?—The previous minutes are recorded here.

3127. But were the scroll minutes shown to the directors?—I do not think that they were.

3128. Do you remember their having been looked out for them at that time?—I do not remember; I do not think that they were looked out.

3129. Were the directors told that, in point of fact, the Bank had already been in the habit of advancing upon shares?—I cannot say.

3130. It is clear that there were advances on shares before that meeting.—Perfectly; it is evident that shares were taken before that meeting.

3131. Was not that resolution, which you say you drafted, calculated to leave the impression on the mind of every director, that there was no such previous sanction, and that it was necessary to authorize it by that resolution; was it not calculated to lead the directors to suppose that there had been no such practice before?—Yes, and I do not believe that it was admitted that there was such a practice before.

3132. Had not your own letter stated that the shares of these companies were deposited in the Bank for safe custody, adding: "Of course the parties consider that these shares are lodged as collateral security?"—Yes; that is to say, that they could not get them unless they paid the loan.

3133. Do you think that it was ingenuous to draft a resolution such as that for the directors to pass, without letting them know that that practice was actually in existence at the time?—I cannot say whether they knew, or did not know.

3134. Then am I to understand you to say that the directors did know that there was such a practice before?—I cannot say; Mr. Blair might have told them.

3135. Do you think that it was a prudent measure to rescind the old resolution of 6th August 1863?—Looking at the result, it was not.

3136. Do you think that it was prudent at any time to advance on shares the calls upon which were not fully paid up?—I cannot say what my opinion was then; but I should certainly say now that it was not prudent.

3137. Do you think that it was prudent to advance largely upon the premia of shares?—It was certainly not prudent to advance such a large amount I should think; of course I am only talking of what I think now; it is very different looking at these things now, compared with what it was in the Spring of 1865 in Bombay.

3138. Do you think that it was prudent to leave such advances to the secretary "at his discretion," for those are the words?—I should think so, if the directors had any confidence in the secretary.

3139. You think that it was prudent?—I think so; the secretary would not grant loans for any large amount without taking some advice.

3140. You remark that there is a saving clause that advances were only to be made to first-class applicants?—Yes.

3141. Who was to be the judge of who were first-class applicants?—I should think Mr. Blair.

3142. Do you think that Mr. Blair was competent to judge as to the credit of Natives, or whether they were first-class applicants, or not?—If he did not know them himself, he should make inquiry, and I should think that that is what he would do. I do not think that he would have granted loans to any one who came and asked for them, without making inquiry.

3143. Why were the particular companies named in the resolution selected?—I suppose that they selected the principal companies whose shares were in the market at the time.

3144. Why was the Asiatic Bank, a new Bank, selected?—Their shares stood well, and they were supposed to be doing a good business.

3145. Was not Mr. Hannay a director of that Bank?—No; he was one of the original promoters of it.

3146. He was the president of the Bank of Bombay at that time?—Yes.

3147. He was surely a director of the Asiatic Bank after that?—No; he never was a director.

3148. But he was on the Consulting Committee in Bombay, which is the same thing?—I think so.

3149. Two of the directors of the Bank, namely, Mr. Tracey and Premchund, were largely interested in the Back Bay Company, were they not?—Premchund must have been. I do not know that Mr. Tracey was then.

3150. Mr. Tracey, I think, became a director of the Back Bay Company shortly afterwards.—He was a director of it. I do not remember when he became one.

3151. Mr. Brown, I believe, was the secretary of the Elphinstone Land and Press Company, was he not?—Yes.

3152. How came it that when these particular companies were selected, as the companies upon the shares of which advances were to be made, you did not adhere to that rule, but lent money upon all sorts of shares—the United Victoria and Colaba Company and others?—There were special cases which

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came before the board, in which they did lend on shares; for instance, the Bombay Joint Stock Corporation was one. Afterwards, I was very glad to get anything in the shape of security, not for new loans, but for old loans.

3153. You did not consider yourself bound by that resolution to those companies?—Certainly for new loans; but as respected old loans, when I could not get the money, I was glad to get anything which I could get.

3154. What do you understand to have been the object of the directors in passing the resolution of the 12th of April 1865?—I do not know what the object might have been, but a crisis was evidently approaching, and it was supposed that this might do some good.

3155. Do you mean that on the 12th of April they thought that a crisis was approaching?—It looked like it, but I cannot speak as to that; the directors will be able to give you better information upon that.

3156. Can you give us any other reason?—No.

3157. Premchund very candidly gave us his reason, which was that he would have consented to anything which would have made the money market easy.—Yes, I believe that he would.

3158. Can you tell us what was the ruling motive with the other directors?—No.

3159. Mr. Brown has also given us a reason, namely, that it would assist certain parties who had over-invested in the securities of the place?—It is very difficult to state.

3160. Have you any recollection of the policy which dictated that resolution?—No.

3161. Will you tell us something about the renewals of loans; was not that left to the secretary?—Entirely.

3162. If the interest was paid regularly, you never made a difficulty about it in 1864 and the beginning of 1865?—Not before 1865.

3163. You renewed again and again if you got the interest paid regularly?—Yes.

3164. Do you consider that good banking?—It might be in a small business.

3165. Were not those loans which you renewed, and renewed again without any part payment, likely to become dead loans, and to end in failure?—As long as the place was prosperous, I do not think that there was much objection.

3166. Have you not been a long time in business, and do you not know that prosperity does not continue, and especially such prosperity as that?—Yes; we have had that experience now pretty well.

3167. But surely you did not require to be taught that in 1864 or 1865, did you?—I am afraid that we did.

3168. I will come now to the powers of the secretary. Was not it a fact that, at so late a period as March 1866, the directors did not know what the powers of the secretary were?—I do not think that they did definitely.

3169. Did not the whole board write to their chairman, Mr. Hannay, who was about to resign, and ask him to define for them what the secretary's powers were?—I believe that they did.

3170. And did not he find himself equally ignorant, and write to you to ask you what your powers were?—He did.

3171. I believe that that is your handwriting in answer? (*showing Exhibit A 35 to the witness*)—That is my handwriting.

3172. (*After the letter had been read by the secretary.*) I understand from this letter that you are speaking of the practice of several years past, at the time when you were deputy secretary as well as secretary. You say, "I consider that according to the practice in the Bank *for some years past*"?—Yes; it was with reference to the powers of the secretary.

3173. You say in the second head of that letter, "To discount bank bills and bills on good houses of a currency not exceeding 60 days. There is no limit." You have fallen into the habit, which I find quite usual, of calling a promissory note a bill?—Yes.

3174. A promissory note in one name you would call a bill?— Yes, I include that.

3175. You say "There is no limit, but I have hitherto seldom taken over three lacs of the paper of one house."—Yes.

3176. Are you quite sure of that? I think that you granted a much larger amount than that, not after you were officiating secretary, but before that time, did you not?—Not that I remember; I may have done so.

3177. Thirdly, "To grant temporary advances to banks, houses, and other constituents of the bank;" you do not put any limit upon that?—No.

3178. Fourthly, "To discount bills, and to grant loans and credits on personal security to well-known men." You put no limit upon that, but you say, "N.B. Since I have been acting" (that is since the 1st of May 1865), "the times have been so exceptional that I granted very few advances without consulting at least one director"?—I think that that is so.

3179. That one director I apprehend was either Mr. Tracey, or Mr. Hannay, or Premchund Roychund?—Very seldom Mr. Tracey I think, but chiefly Mr. Hannay, or Premchund Roychund. Mr. Hannay was next door to me, and I consulted him.

3180. As to native parties you consulted Premchund?—Yes, or Mr. Hannay, but I believe that he referred me to Premchund.

3181. The fifth head is, "The renewal of bills, loans, and credits I consider is left to my own discretion, of course bearing in mind the order of the board not to renew for the full amount, if possible, but to get 25 per cent. in cash."—It was not an order, but it was referred as a minute to myself to get as much as possible.

3182. You add, "Some bills, &c. for special reasons have been renewed in full."—Yes.

3183. I suppose that your "special reasons" mean that you could not get the money?—In some instances I referred to Mr. Hannay, and I was told that it was not convenient for the people to pay me 25 per cent., and I renewed the bills in full.

3184. The ninth head is, "Power given in July last to attend meetings of creditors of parties indebted to the Bank, to agree to propositions made at such meetings, to sign trust deeds, &c. at my discretion." We shall have to enter into that fully. I will not ask you about that now. "I may say that I consider the order of the President in every case sufficient authority for me to act under." What is your opinion of the duties of the President; you have had a great deal of experience. What were his duties?—In my time from May 1865, Mr. Hannay took as much interest in the Bank's affairs as I did, and I consulted him upon almost everything. He was with me in the morning, and in the evening, before he went home, and during the day. In fact half of his time I am certain was taken up with the business of the Bank of Bombay.

3185. You were in the office in Mr. Birch's time before you were officiating secretary?—Yes.

3186. And you acted for Mr. Blair on several occasions during short absences, and during his long absence at Ajmere. You can therefore tell us something about the manner in which Mr. Birch peformed his duties as President?—I think that he was very attentive too. During the time that I was there I think that he looked in upon me once a day.

3187. Did he take his seat at the board?—There was no board meeting.

3188. I am talking of other days than board days; did he take his seat?—He asked me how we were getting on, and whether I had anything to ask him.

3189. Did he take an interest in the management of the Bank?—Yes, as far as he could know as a Government director.

3190. Was he often referred to, either by you or by Mr. Blair?—Not by me with reference to loans.

3191. Was Mr. Blair in the habit of referring to him upon that point?—I could not say, but I do not think that he was.

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3192. Then what did Mr. Birch do as President?—He only exercised a supervision over everything; he took the chair at meetings.

3193. He attended the meetings and he came in and asked you how things were going on; did he do anything else?—Not that I know of. We did not suppose that he could tell us about loans, and we did not ask him; we did not ask any Government director.

3194. Then what did you suppose that he, or the Government directors, could do?—The only thing which they could do was, that they could object to what was being done; they could not be expected to give the secretary any information as to the business of the Bank.

3195. You are aware that in consequence of that letter, Mr. Hannay wrote to his brother directors and put some few restrictions by his letter of the 15th March 1866 (*Exhibit* A 34) upon the powers of the secretary?—Yes.

3196. And those recommendations of Mr. Hannay were afterwards embodied in the bye-laws which were passed, dated the 31st of March 1866?—Yes; his recommendations, if I remember, were very much modified.

3197. They were, but the greater portion of them were adopted, and they were embodied in the bye-laws of the 31st of March 1866.—Yes.

3198. Till that time you had no bye-laws?—No; we had no bye-laws under the new Act until the 31st of March 1866.

3199. Do you remember a discussion which took place at the board on the 4th of May 1865 as to the powers of the secretary? Do you remember this resolution being passed on the 4th of May 1865: "Resolved, that no new constituent of the Bank be allowed credit beyond three lacs, without the special sanction of three directors"?—I do, but I forget what caused it.

3200. Do you not recollect that Mr. Francis Chapman, one of the Government directors, brought forward a discussion upon the powers of the secretary on that day?—I do not remember it.

3201. Surely it is a sort of thing which you would not forget?—I have been looking at this resolution since, and I cannot remember what brought it on.

3202. You were present at the meeting, were you not?—Yes; I must have been present at the meeting.

3203. I will refresh your recollection by reading what Mr. Brown told us about it. After speaking of some previous discussion with Mr. Tracey upon the subject, he says: "At the next board meeting Mr. F. S. Chapman, a Government director, asked me if I was satisfied at the way in which business was being done. He particularly referred to the utter ignorance in which the directors were kept as to the business, and everything that was going on, and we agreed in opinion that the directors were ciphers, and the secretary apparently uncontrolled. Mr. F. S. Chapman then told me that both he and Mr. Lushington, the two Government directors, had come prepared to move in the matter, and I willingly agreed to support him. Mr. Lushington then proposed, to the best of my recollection, that restrictions should be put upon the secretary's powers." Do you not recollect that?—It might have been a conversation, but my mind is a blank upon the subject altogether, unless something had been done which brought that on.

3204. Had not any of the directors previously expressed to you any dissatisfaction with the extent of your powers as secretary?—Not at that time; not in 1865.

3205. Do you not recollect a discussion upon that subject?—I have been trying over and over again in Bombay to recollect it. Mr. Brown talked to me about that resolution shortly before I left Bombay, and he told me what I told you.

3206. Was Premchund present at that meeting; his name is not on the minutes, but Mr. Brown says that he has a distinct recollection of his having been there?—He might have been; he might have come in late, and I might not have put down his name.

3207. Do not you recollect a discussion between Mr. Hannay and Premchund on one side, and Mr. Chapman and Mr. Lushington and Mr. Brown on the other?—I cannot recollect anything about it.

3208. We will refresh your recollection. The evidence is as follows: I reminded Mr. Brown that Mr. Hannay, Mr. Lushington, Mr. F. S. Chapman,

Mr. Tracey, and you were present at that meeting on the 4th of May; he answered, "Yes, and I thought Premchund was also present. Mr. Lushington's proposal was strongly opposed by Mr. Hannay, and I think by Mr. Tracey. Mr. Hannay was the spokesman, and said that unless the secretary was left unfettered, it would be impossible to make him feel his responsibility. I think Mr. Tracey joined him in that, and Mr. Hannay added that men of standing, had too much self respect to submit to have their applications scrutinized by the whole board, and that if we insisted, the Bank would lose much valuable business. The resolution come to at that meeting on the 4th of May was a sort of compromise, and there was an understanding arrived at, that considering the perilous nature of the times, and particularly as Mr. Robertson was just entering upon office as officiating secretary, all new business was to be submitted to the board, or the weekly committee, and I think that that understanding was acted on."—I think that I remember Mr. Hannay making those remarks (but I do not know that it was at that meeting), that the secretary should be left to a certain extent uncontrolled.

3209. Did Mr. Chapman, Mr. Lushington, and Mr. Brown oppose that view?—I do not think that they actually opposed it. I cannot tell you much about it.

3210. I want to know, if Premchund was not there, how the three came to be overruled by the two?—I can only go by the minutes that Premchund was not there.

3211. Mr. Brown recollects his being there; that would make three and three, and then we can understand a compromise?—Yes, there would be a casting vote. Premchund might have been there without his name having been put down, but I do not think that it is at all likely.

3212. Let us turn to the resolution itself: "Resolved, that no new constituent of the Bank be allowed credit beyond three lacs without the special sanction of three directors." Did you not infer from that resolution that old constituents of the Bank might be allowed credit beyond three lacs without the sanction of three directors?—Yes.

3213. It was not likely, I suppose, very much to fetter your proceedings?—New business then, I should say, was almost stopped.

3214. On the 4th of May 1865?—Yes.

3215. Do you remember any authority being given to the secretary to consult one director only?—No, I do not remember any particular minute on that subject, or any special order.

3216. You do not recollect any authority given by the board to consult one director only?—No.

3217. Is that Mr. Blair's handwriting (*showing Exhibit* Z 1 *to the witness*)?—Yes.

3218. You do not recollect such an order being given either verbally or in writing?—I do not.

3219. You do not recollect any such order being given, and its being stated that it was not to be entered in the minute book?—No; I do not remember any order of that kind.

3220. And that a note would be taken of it in Mr. Birch's private memorandum book?—No; no order of that kind. I never heard it.

3221. Mr. Blair has written to Mr. Birch on the 5th of June 1868 as follows: Robertson recollects that the power granted to the secretary to pass loans recommended by one director was not recorded; and he further recollects that I mentioned to him on the breaking up of one of the board meetings that you had put a note in your memorandum book to that effect, showing that I, as secretary, had more power than might be given to any other secretary."—Yes, I recollect Mr. Blair telling me that; that Mr. Birch paid him a compliment, and said that he had more power than might be given to another secretary.

3222. You have already told us that you do not recollect anything about this power being granted to pass loans recommended by one director, and that it was not to be recorded?—I do not recollect any order to that effect.

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3223. You never made that statement to Mr. Blair?—I never made that statement to Mr. Blair. He certainly asked me if I remembered Mr. Birch saying that to him after a board meeting one day.

3224. The only part of that letter which you remember as correct is that Mr. Blair had more power given to him than might be given to another secretary?—Yes.

3225. What was Mr. Blair's practice in his time, when you were deputy secretary? There were only two losses before the 1st of June 1864; and if you carry all the payments to the credit of the first loan, then I doubt whether there is anything but a mere fractional loss upon one of them. As to the period from the 1st of June 1864 down to the time of Mr. Blair's departure, what was the practice of Mr. Blair as to granting advances; whom did he consult?—Cowasjee Jehangeer, until he resigned. After he resigned, Premchund was appointed a director, and he was consulted.

3226. Premchund was a director in July 1864, and remained a director until September 1864?—He was not a director until Cowasjee Jehangeer resigned, and he resigned in September 1864.

3227. And he was not on the direction again till December 1864?—No.

3228. From the time of Cowasjee Jehangeer's resignation Mr. Blair consulted Premchund as to loans?—Yes.

3229. Why did he discontinue the practice of referring those subjects to the weekly committee?—I believe that the answer which he generally got from them was, "refer it to the native director."

3230. Do you believe that that was the reason why the practice commenced of referring these subjects to the native director alone?—I do.

3231. Do you know that the directors were aware that Mr. Blair was in the habit of referring these things to the native director alone?—I think that they were. I do not know that they were, but I certainly think that they were.

3232. Did Mr. Birch know that?—I should think that he did.

3233. Can you tell us whether there was any limitation upon the secretary's powers other than that to which I have referred, and to which you have referred in your letter?—I do not think that there was anything else.

3234. You claimed almost unlimited power?—I did.

3235. You acted as secretary during Mr. Blair's absence on several occasions?—Yes, after Mr. Ryland left.

3236. It seems that the time in which you acted, whilst Mr. Blair was at Ajmere, was a very busy time at the Bank?—Yes.

3237. There are a great number of outstandings arising, I am sorry to say, during those seven or eight weeks when you acted for him?—Yes, I dare say.

3238. There was also a very heavy outstanding incurred during the short time in which you acted for him, when he was at the races at Poonah in 1864?—Yes.

3239. Out of a very great number of outstandings, I am going to select seventeen which I consider the most important, and through which I shall take you seriatim. The first case is that of Kursondass Madhowdass' large loan. The promissory notes run in this way: 31st August 1864.—Mayabhoy Premabhoy, 8 lacs. 31st August 1864.—Muggonbhoy Huttising, 8 lacs. 31st August 1864.—Kursondass Madhowdass, 4 lacs. 26th September 1864.—Kursondass Madhowdass, 5 lacs. So that altogether, in those three names, there was a loan of 25 lacs of rupees?—Yes; I do not think that I granted them all.

3240-1. Originally, Mr. Blair was written to before he left on the 23rd of August as follows: "My dear Mr. Blair,—Kursondass wants a loan from 4 to 5 lacs. I think he is safe for any amount. Yours sincerely, Premchund. 23rd August 1864." Mr. Blair left a few days afterwards for Poonah, and then it seems that the whole transaction was changed, and that the loan was to be taken by these three parties; do you know who they were?—Yes.

3242. Were not they all partners in one firm?—I believe so. I did not know it at the time.

3243. I think that you will have no hesitation in saying that you granted that loan, because there is the application to you (*handing a letter, Exhibit* A 134, *to the witness*).—It might have been granted in my time, but I have no hesitation in saying that I should not have granted it without authority.

3244. This letter is addressed to you by Premchund?—Yes.

3245. You see that the rate of interest is 13 per cent., and that the money was lent up to the 1st of July 1865?—Yes.

3246. So that this was actually a fixed loan for ten months?—Yes; but I still hold the opinion that, before I was appointed as officiating secretary, I do not think that I granted a loan for 5,000 rs. without authority.

3247. Mr. Blair was away for a long time on that occasion, was he not?—No, not that year; in the previous year he was.

3248. I find that you were still addressed upon this loan up to the 26th of September.—Very likely; I might have been corresponding about it. Premchund would address me then.

3249. Twenty-five lacs is an enormous sum. Here is a letter from Premchund to you of the 26th of September about the remaining amount (*Exhibit marked* A 135).—Very likely, but I was not in charge then.

3250. You were the person who managed this large transaction?—Yes.

3251. Did you consult anybody before you parted with this enormous sum of money—a quarter of a million?—I never granted it. If Mr. Blair was away, I must have been told of it by him before he left.

3252. He knows nothing about it, and we find that the correspondence was with you.—Yes, I admit that; you will find that in many cases.

3253. Even supposing that Mr. Blair had spoken to you about it (and all that he knew before he left was an application for four lacs), did not you consult anybody?—I must have consulted Premchund, I suppose. I do not see that I consulted any one at all.

3254. The date is the 31st of August 1864. Premchund was a director of the Bank at that time?—I think so. I have nothing to prove that I did not grant it; but I am nearly certain that I did not do so without control.

3255. Did not you ask Premchund Roychund what that large loan was wanted for?—I do not remember.

3256. Did it not strike you as something singular that the three partners in one firm were taking such a loan?—I did not know then that they were partners, but I did afterwards. I knew that one was Premabhoy Hemabhoy's son, and that the other was his nephew. Premabhoy Hemabhoy was supposed to be one of the wealthiest men in Bombay at that time.

3257. Did not you make inquiries at that time? If you had done so you would have known immediately from your shroff that they were partners.—I might have got the information from any one; but I do not know that I could, because the partners in native firms are not always known.

3258. They were carrying on business together then.—And they were carrying on business separately.

3259. Are you prepared to deny that you were the person who negotiated that loan?—I have nothing to prove it; but I am certain that I did not. The evidence is against me; but when I was officiating secretary I should not pass anything. I certainly would not do it.

3260. Did not you know that Premchund Roychund was interested in that transaction himself?—No, I did not.

3261. Did he not negotiate the whole business with you?—Yes, I believe that he did.

3262. You never saw the parties?—Kursondass would come himself, I should think.

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3263. He says that he did not?—Possibly he is right. I know that Kursondass usually came about his business, but whether he came on that particular occasion, or not, I cannot say.

3264. What was the understanding upon which that loan was to be made?—So many shares were to be deposited, but I cannot say how many.

3265. Were not 80 Back Bay shares to be deposited?—Somewhere about that number.

3266 Did not you know that there was going to be a gigantic speculation in Back Bay shares with the money?—I did not.

3267. Did not you feel any curiosity as to what they wanted a quarter of a million of money for?—No. I knew that they were doing a large trade, in opium especially. Very likely I may have thought that they were going into a speculation; possibly I did, but I do not remember.

3268. Do you mean to swear that you did not ask Premchund Roychund what that transaction was?—I do not think that I did, I do not remember it.

3269. Had you no suspicion that he himself was a party in that transaction?—None whatever.

3270. Or Premabhoy Hemabhoy?—None whatever. I knew that one of them was the son of Premabhoy Hemabhoy, and that the other was his nephew.

3271. Did not you know that Premchund was then a large seller of Back Bay shares?—I did not; in fact, upon inquiring of brokers in the market, they would tell you that he was buying as many as he was selling. I could not tell you exactly what he was doing.

3272. I want to know how you were conducting this transaction. You first of all lent them this quarter of a million; what security had you for it, on the day when you passed it across the counter, beyond the promissory notes?—I do not know when the shares came in. I suppose that there would be only the promissory notes on that day.

3273. And it was not until the shares came in, some time afterwards, that in fact you had security at all?—We granted these loans on personal security.

3274. You entrusted this quarter of a million to these men without security?—There was a promissory note.

3275. That is not security. Did you bring this large transaction before the Board?—I do not think that I did.

3276. Did you bring it before the President?—I do not think that I did.

3277. Did you bring it before any other director than Premchund?—I do not think that I did. I may have done so.

3278. Knowing that Premchund was a large dealer in shares and a speculator at that time, do you think that it was wise to act solely upon his advice in that transaction?—At the time I thought that it was perfectly right; but with the experience which I have since had, I should certainly not consider his advice good for it.

3279. This transaction on the 31st of August 1864 is the first transaction which I find in which shares were given to be deposited for safe custody.—You will find that I had not the first arrangement of these things.

3280. How came you to feel yourself authorized to abrogate the resolution of the 6th of August 1863, and in fact to advance on shares?—I do not think that I knew of the resolution at the time, because at that time I was only deputy secretary. I was not even officiating secretary.

3281. You were acting for the secretary in his absence?—Yes; but I was only deputy secretary.

3282. How came you to introduce this system of advancing on a promissory note, and having shares deposited for safe custody?—I can only say that I did not introduce it. The evidence is against me, upon these letters, that I granted these loans; but I can only say that I did not grant any loan of the sort unless I was told to do so. I could not say before seeing those letters that the transaction was carried out by me; but after seeing those letters, I admit that it was so.

3283. Supposing that Mr. Blair had given you some sort of verbal instruction to carry out such a transaction before he went to Poonah, do you think that it would have been wise to carry out such a gigantic transaction as this, without consulting some other director than Premchund?—I thought that Premchund was acting honestly, and that his advice upon these loans was better than that of any other person. But I certainly admit now that it was not prudent.

3284. How came you to grant a loan for 10 months?—It must been arranged before between Premchund and Mr. Blair; that is the only thing which I can tell you. I did not alter it. I must admit that I saw the transaction carried out.

3285. Mr. Blair says that he had nothing to do with it.—I should not have done such a thing as deputy secretary. If I had been officiating I might have considered myself empowered to do it.

3286. You know this opinion book (A 27)?—Yes.

3287. Was not this meant to be a guide to you as to the credit of parties?—At one time it was, but not for some years.

3288. At all events, it was a guide in 1864?—I cannot say that it was; it was not written up I believe in 1864, except in one or two instances.

3289. In a great many instances it was written up; it was done so seven days before these loans were granted. On March the 28th, 1864, Kursondass and another were considered good for one lac; on August the 24th, 1864, there is the following entry in Mr. Blair's handwriting, "Kursondass Madhowdass and Company, Premchund says good for four or five lacs."—Yes.

3290. Do you wish us to believe that notwithstanding that entry, made by Mr. Blair a few days before he went to Poonah, he instructed you to advance to Kursondass Madhowdass and Company 25 lacs?—Not to Kursondass Madhowdass and Company; Kursondass Madhowdass and Company did not get the loans.

3291. The borrowers were the three partners in Kursondass Madhowdass' firm?—It was not known at the time, at least not by me, and I believe not by Mr. Blair.

3292. Even supposing that you did not know that the other parties were partners of Kursondass Madhowdass, how came you in the face of this opinion to advance Kursondass Madhowdass nine lacs?—I did not look at the opinion, and I did not advance Kursondass Madhowdass nine lacs.

3293. Yes, you did; there were four lacs in the first transaction, and five more in September 1864?—When were the four lacs granted?

3294. Upon the 31st of August 1864, these letters show it.—I can only say that I did not grant any of them.

3295. Giving the full weight to your objection that you did not know that they were partners at the time, how came you to grant Kursondass Madhowdass nine lacs, when here is the instruction of your superior a day or two before he went to Poonah, saying that Kursondass was worth four or five lacs?—I never looked at that book.

3296. Was not it your duty to look at it?—No, I must have been instructed before.

3297. You must have had instruction, according to your statement, from Mr. Blair?—I must have had it from him.

3298. It is highly improbable in the face of these letters.—The evidence is against me, but I still adhere to what I have said, namely, that as deputy secretary I never granted such a loan, and I am certain that I did not pass any loan till I became officiating secretary.

3299. I believe that this loan was renewed on the 2nd of August 1865, was it not?—Yes, I remember that.

3300. And it was brought before the board?—I believe that it would be.

3301. You were all frightened at that time, and you began to bring everything before the board. This is the entry on the minutes: "Read two letters

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from Mr. Kursondass Madhowdass regarding the under-mentioned loans due the 1st of July, nine lacs in the name of Kursondass Madhowdass; eight lacs in the name of Muggonbhoy Huttising, and eight lacs in the name of Mayabhoy Premabhoy, total 25 lacs; requesting that they be renewed for a further period of six months. The security at present lodged is 80 Bombay Reclamation Company shares. He further promises to deposit an acknowledgment of his claim against Cursetjee Furdoonjee for 25,80,000rs., and, if necessary, Messrs. Premchund Roychund and Premhaboy Hemabhoy will guarantee the Bank against any loss. Resolved, that the loans be renewed for three months from 1st July on his depositing the acknowledgment of his claim against Cursetjee Furdoonjee, and a guarantee bond signed by Premchund Roychund and Mayabhoy Hemabhoy; and it is understood that they will be renewed in part, or in full, for a further period if required, the rate of interest to be nine per cent. Interest to be paid at the end of each three months."—Yes.

3302 I believe that that claim against Cursetjee Furdoonjee was made over to the Bank?—Yes; and we got those parties, I think, to sign the notes: it was divided between the three.

3303. On the 8th of December 1865 there was a transfer made of the debt?—It was made, but I do not remember the date.

3304. And then I suppose you found out what was the real state of the case, did you not?—No, I did not find it out then; in fact, I have found out more from the evidence which you have taken in Bombay, than I knew before.

3305. What did you understand about it on the 8th of December 1864? Premabhoy Hemabhoy took upon himself five lacs, Premchund nine lacs, and Kursondass Madhowdass eleven lacs. (Kursondas Madhowdass said in his evidence that he took two lacs more than he ought to have taken, in order to get rid of the liability on his firm.) Just explain that transaction; what was disclosed to you?—I think that we put pressure on Premchund, as he had recommended the loans; we said that he must guarantee a part of them, and I think that it was his proposal, or that of Kursondass, that it should be divided in another loan, and we thought that it was much better to get Premchund to take so much of this large loan.

3306. I understand you to say, that you preferred the security of Premchund, Premabhoy Hemabhoy, and Kursondass, to that of the three partners of his firm?—Yes.

3307. Did not you then fully understand that Premchund Roychund was a party to the transaction?—I do not think that I did.

3308 Do you think that Premchund would voluntarily have come forward and taken those nine lacs upon himself?—He was a wealthy man, and I know that I pressed him to get his name.

3309. Were you ignorant that he was a party to the transaction? Did he take nine lacs upon himself simply to oblige you, or somebody else?—I have known him do more than that. I know that he gave up a claim which he had upon Byramjee Hormusjee Cama's estate of forty-three lacs.

3310. Must you not then have found out that Premchund was a party to the transaction?—I did not.

3311. Why did Premabhoy Hemabhoy give his name?—For his son.

3312. What security or inducement do you suppose that Mayabhoy Premabhoy and Muggonbhoy Huttising gave to these parties, to take upon them this transaction?—I have no idea.

3313. Did not you as secretary think it your duty to inquire into that?—No, the money had been lent, and I thought that I had to get as good security as possible.

3314. Was not it your duty as secretary to know what was going to be done with the money, whether it was to be laid out in a speculation or not?—I do not think that it was.

3315. The loss upon Kursondass Madhowdass' transaction is seven lacs and odd. There is a loss upon the whole of them?—Yes.

3316. I understand you to say that you had no notion that Premchund, or the others, were parties to the transaction?—Yes.

3317. Did not any of the directors suspect that the original loan had been taken by Premchund or Premabhoy?—If they suspected it, they did not say so to me. Premchund in 1865 was considered very wealthy, and I thought that in getting his name I was perfectly secure.

3318. Did you experience any difficulty in getting the certificates of the 80 Back Bay shares, when you advanced this quarter of a million?—I do not remember; we got them, I remember; but I do not know when we got them.

3319. Do you not remember being exceedingly uneasy about it?—Possibly I was, but I had no doubt whatever that I should get them.

3320. Would you be surprised to hear that, although on the 31st of August 1864 this quarter of a million was lent, the certificates of the shares were never deposited till the 5th of November, and some even later than that?—No, I should not be surprised.

3321. Was that your way of doing business, to let a quarter of a million go across the counter, and take no security?—I was perfectly satisfied that the shares would be sent in.

3322. What was the security which the Bank had for these 25 lacs until the share certificates were sent in?—They had no security at all, except the promissory note upon which the money was granted.

3323. Was not it a part of the agreement, that not only a promissory note should be given, but that the shares should be deposited for safe custody?—Yes.

3324. Was not it your duty to see that fulfilled?—I suppose that I should tell some of my assistants to see that they did come in, but I had so much work to do that I could not attend to it myself.

3325. Do you recollect taking any step to get those share certificates delivered before the 5th of November 1864?—I do not remember; I had so much other work to do that I could not attend to it. I had more work to do than any clerk in the Bank.

3326. I understand you to say that you were not aware that this money was to be invested in a speculation in Back Bay shares?—Yes.

3327. Just attend to the letter which was written to you by Premchund: "I saw the two people sign in my presence. Back Bay shares will be delivered to you when he will receive it. I think it is all right; so please credit the money to Kursondass's account, as he wants to pay for the shares he purchased" (*Exhibit* A 134)?—Yes, I am aware of that.

3328. In the face of that letter, do you mean to say that you did not know how the money was to be invested?—From that letter it was to be invested in some shares, but I did not know in what shares.

3329. You did not know that it was to be invested in a share speculation?—I see that that letter says so; I must have known it.

3330. The next loan which we will take is that of Atmaram Madhowjee. You appear to have granted him two loans during the time that Mr. Blair was away. On the 19th January 1864 Atmaram Madhowjee, with Diver, and Treacher and Company, had 60,000 rupees.—You will find that that is earlier. I did not grant that. I know distinctly that I did not grant it. It was granted by Mr. Blair, and if you ask him he will tell you that. I remember distinctly about it.

3331. We had before us Mr. Diver himself. We asked him first of all as to these loans. He said: "Mr. Taylor, Atmaram Madhowjee, Treacher and Company, and I borrowed the rupees 60,000. We bought a piece of land at Poona from Treacher and Company. The advance was made by the Bank on the title deeds. The price was very nearly one lakh, and Treacher and Company wanted rupees 60,000 paid down. They therefore joined in the loan as sureties." The date is the 19th of January 1865, when Mr. Blair was away. This is a very important matter.—I am perfectly certain that I did not make the advance.

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3332. The advance was made on the title deeds of this land?—So they say.

3333. Treacher and Company appear to have been sureties also?—Yes.

3334. Was not that an illegal transaction?—I do not think so; it was a promissory note signed by these people.

3335. But are you not aware that there is a clause in the Act which expressly forbids the advance of money upon land?—Yes; but the land was never transferred to the Bank. Treacher and Company were supposed to be perfectly good for much more than that amount.

3336. Did you take any legal opinion upon this advance on land?—I do not think so. I do not remember anything about that loan at all.

3337. One can understand that, supposing that you have an old debt outstanding, and a man comes and says, "I am ready to give you the additional security of my land," no advance of money being made at the time, there is no objection to the Bank taking the land as a security for an antecedent debt, but this was an actual advance of money at the time.—Yes; no doubt that is so; but I did not negotiate that loan I am certain. I do not think that I should take land; I should take it upon Treacher and Company's name. I considered them a great deal more undoubted than that. It might have been arranged long before I had taken charge.

3338. Were any of the directors consulted about this transaction?—I cannot say; I should think not. If I had granted that loan I should think that I should have granted it myself to Treacher and Company without the directors.

3339. On the 31st of March there was another loan to Atmaram Madhowjee?—I did not grant that. I knew of the loan, but it was done when I was away. I remember looking over the loans.

3340. What do you know about that loan?—I know that it was granted when I was away.

3341. Do you know the parties?—Yes.

3342. Who was Davidass Luckmeedass?—He was a broker.

3343. At the time when you made that loan to Atmaram Madhowjee how much money was outstanding in Atmaram Madhowjees's name?—I do not know.

3344. 20,70,000 Rs., was it not?—That is including the loans to the Alliance Financial Association.

3345. Yes; everything that his name was put to.—Yes.

3346. On the 21st of February 1865 there was a transaction of Atmaram Madhowjee with Brice and Company.—Yes; Atmaram Madhowjee was broker to Brice and Company. I believe that I had over a lac of rupees of their bills, and I only took a small amount; it was, I think, 30,000 rupees.

3347. I do not find that any security was taken for it.—No, there was no security at all; it was a bill by Atmaram Madhowjee on Brice and Company.

3348. But this bill did not represent any trading transaction?—I should imagine it did.

3349. Have you inquired?—It was a broker drawing upon his principal, but I did not inquire further.

3350. At that date did you inquire as to what was outstanding against Atmaram Madhowjee?—I think that I did, but I took Brice and Company.

3351. Had Brice and Company a very high credit at that time?—I consulted some of the directors. I remember consulting Mr. Hannay, and I think that I consulted Premchund too. I think that I was referred to Premchund by Mr. Hannay.

3352. The next loan which I will ask you about, is to Burjorjee Sorabjee Lyewalla. There was a cash credit granted him on the 19th of February 1865 of 50,000 rupees, and the loss is 45,000 rupees. You had no security upon that?—I know that he got a loan from us at that time.

3353. Who was he?—He was a broker in Bombay, he had considerable property in Bombay.

3354. Did you inquire for what object he was borrowing that sum of money?—I think not.

3355. Was he recommended to you by anybody?— He must have been.

3356. I find that he was recommended. This is the discount slip (*Exhibit* A 136): "Premchund says very good." Do you know in whose handwriting that is?—That is Mr. Blair's writing, I think.

3357. This loan was renewed from time to time. How is it that there was this enormous loss of 45,000 rupees?—I think that the man absconded altogether in 1865; if I remember rightly, his property was seized.

3358. We do not find that any proceedings were ever taken against him.—He was made an insolvent, and I think that he filed his petition, but he never appeared, and he was, I think, in jail for the most of the time that I was in Bombay. 5,000 rupees has been paid off. The ledger keeper, Mr. De Ga, would have been able to tell you every item, as the loan had been renewed.

3359. We will now come to Mr. F. Brown's loans. Do you remember the fixed loan of two and a half lacs?—Yes.

3360. Were you consulted about that?—Yes, I forget by whom, but I was consulted. I granted the loan.

3361. Was there any security taken for that loan?—No, Mr. Best and Mr. Brown, I think, signed a promissory note.

3362. Did you know the object for which that loan was granted?—No.

3363. Are you quite positive about that?—I am certain.

3364. Mr. Best and Mr. Brown told us that you knew what the object was.—I distinctly swear that I did not.

3365. You did not know that that money was going to be invested in Port Canning shares?—No, I did not.

3366. Did you ask them for what object it was borrowed?—I thought that they were wealthy men, and they were so at the time.

3367. What did you suppose that they were going to do with 25,000*l.*?—It must have been a speculation, I must have thought that.

3368. You did not think that it was a good investment which they were going to enter into?—No, I did not.

3369. That was not one of the grounds upon which you advanced the money?—No, I did not think of it in that way at all.

3370. Did you know who the parties were who were interested in that speculation?—No.

3371. Are you perfectly sure that you did not know the speculation for which the money was required?—I am perfectly certain.

3372. Whose handwriting is that (*handing a letter to the witness*)?—Mr. Brown's (see this letter printed, ante page 51); I do not know to whom I referred.

3373. Who recommended these people to you?—I do not remember; I may have asked Mr. Hannay or I may have asked Premchund.

3374. Did not Premchund recommend them to you?—I do not remember.

3375. Did not Mr. Tracey recommend them to you?—I cannot remember, very likely if I asked him he would say that he did, but I do not remember.

3376. After reading that letter have you any doubt that Premchund told you what shares the money was wanted for?—I do not think that I asked Premchund the question, I thought that Best and Brown were perfectly safe for the amount for 14 days.

3377. Did not the very fact of their wanting the money for 14 days excite your suspicion?—I thought that they wanted it for something; they might have got in other money in that time.

3378. Were not Mr. Tracey and Premchund both directors of the Bank at that time?—I do not remember.

3379. Mr. Tracey came in in January 1865?—Yes.

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3380. When you granted this loan to Messrs. Brown and Best, did you make any inquiry as to other loans outstanding in their names?—I think that I did, I generally did so.

3381. What was the result of those inquiries?—I found that Mr. Brown was on two bills, I think, with other people to a certain amount.

3382. His name was on a bill upon the 15th of July 1864 with J. Macfarlane?—Yes, one for 30,000 rupees.

3383. On the 20th of December 1864 he put his name to another bill for 50,000 rupees with Heycock and Venayek Pandurung, and this loan followed?—Yes.

3384. Was not this loan renewed at the end of the 14 days?—It was allowed, I think, to lie over.

3385. It was renewed?—I think that that was done by Mr. Blair.

3386. Was any security taken upon that renewal at the end of the 14 days?—Not at the time, but it was taken afterwards.

3387. When was that security deposited?—It was after Mr. Blair left, I forget when.

3388. It appears by the book that it was deposited in June 1865?—Yes.

3389. Then I am to understand that these 2½ lacs were lent upon the personal security of these two persons from the 25th of February to the 23rd of June 1865?—Yes, it must have been so.

3390. The loan was then renewed, and you got the security of 46 Port Canning Company's shares?—Yes; but I do not know that there was any further renewal; they promised to pay it off as soon as they could.

3391. It was proposed to be renewed in June, and then they gave security?—I do not remember the renewal, but very likely it was allowed to lie over for a week longer.

3392. There was a release granted to Mr. Brown, was there not?—Yes, a trust deed.

3393. Shortly before that, the following resolution was passed at the Board on the 6th of July 1865: "The secretary is authorized to attend meetings of the creditors of parties indebted to the Bank, and at his discretion to agree to any resolutions proposed and agreed to by representatives of other banks, and he is further authorized to sign all agreements, deeds, or other necessary documents of creditors' estates, reporting it to the first meeting of the Board." Do you remember that resolution being carried?—Yes.

3394. Who was the author of that resolution?—I am not certain, but I think that it was proposed by the chairman, Mr. Hannay.

3395. What part did Mr. Lushington take in that discussion, I see that he was present?—There was no discussion on that day, it was agreed to without discussion as far as I remember.

3396. Did not Mr. Lidderdale object to it?—Not on that day, he did afterwards.

3397. On the 13th of July, at the next meeting of the directors, the failure of Messrs. Best and Brown was announced; the entry on the minutes is as follows: "The officiating secretary reported that Messrs. Best and Brown, brokers, had laid a statement of their affairs before their creditors." What took place when you made that announcement?—I do not remember that anything was said at that meeting.

3398. Was not a resolution moved by Mr. Lidderdale?—Not at that meeting. If you have the scroll minutes, you will see what took place.

3399. Mr. Lidderdale in his evidence said: "On 13th of July 1865 the secretary reported that Mr. Brown had laid a statement of his affairs before his creditors. There is no record in the minute book of what I did. My resolution is not entered, because it was not seconded. I moved the following resolution: 'to add to resolution passed on the 6th instant with reference to power to the secretary to attend meeting of creditors, with discretion to agree,' &c., the words 'in cases where there are no special circumstances which should be known to the directors.'" Do you recollect his doing that?—Yes.

3400. And it was not seconded?—No.

3401. What part did the three Government directors take upon that occasion?—At that meeting, when Mr. Lidderdale proposed that alteration in the former resolution, I think that Mr. Lushington said to Mr. Lidderdale that he did not think that the Bank should be public prosecutor, and throw away good money after bad.

3402. I think that you are confounding that with the next meeting.—There were two meetings at which Mr. Lidderdale brought it on.

3403. Nobody seconded his resolution?—No.

3404. And a discretion was left with you?—Yes; it was understood that I was to sign the trust deed.

3405. You attended the meeting of the creditors, did you not?—Yes.

3406. What took place there?—Mr. Brown produced a statement of his affairs, and after being looked at, it was proposed by Mr. Campbell, of the Mercantile Bank, and seconded by Mr. MacCulloch, manager of the City Bank, that his assets should be realized.

3407. Was not that the resolution, come to? (*handing Exhibit* F 3 *to the witness*)—I think so.

3408. But you stated it very differently in your letter to the directors of the 23rd January 1866, when an explanation was called for? (*showing a printed copy of the letter to the witness*)—I must have stated it from recollection. I was giving the substance; I did not pledge myself that it was word for word.

3409. We have the resolution, and the other purports to be a copy of it, but they do not agree.—I did not copy the resolution. I told them as well as I could.

3410. Why did you put it in inverted commas if it was not a copy? I want to know why you put it out *in hæc verba*, as if it was a correct statement of the resolution, while the resolution is quite different? It seems to me extraordinary, everything appears inaccurate.—I gave it from recollection.

3411. You were chairman at the meeting, and you were appointed trustee under the deed?—Yes; but I never intended to be trustee.

3412. What salary or commission were you to have?—Nothing.

3413. Was that understood?—It was understood; at least, it was understood that I was not to charge anything for it. I did not ask for anything.

3414. Did you in fact receive anything?—No.

3415. Did the directors know at this time that you were appointed trustee of the estate?—I think that I told them. At that time when I was appointed, I did not think that it would take the shape of a trust deed at all.

3416. The resolution is: "That all the securities held by Mr. Brown be handed over to Mr. Robertson, of the Bank of Bombay, and that on the several deficiencies of the various creditors being ascertained, the said securities be realized and divided rateably among the said creditors."—I had no intention of being a trustee, because the principal asset was a share of a coffee estate, which turned out a very miserable one.

3417. But in point of fact you did act as trustee under it?—Yes, Mr. Brown gave me no trouble, and I let him do all the work.

3418. Did the directors know that you were acting as trustee, and letting Mr. Brown do all the work of winding up his own estate?—I think so. I do not know whether they did or not.

3419. There is another minute on the subject on the 20th of July. There were present, Mr. Hannay, Mr. Lushington, Colonel Ballard, Mr. Tracey, Mr. Brown, Mr. Lidderdale, Cowasjee Manockjee, and Rustomjee Jamsetjee Jejeebhoy. On the 20th of July, Mr. Lidderdale proposed another resolution, did he not?—Yes, it is not on the minute, it was not seconded.

3420. Was this his resolution, "That in the case of Mr. F. L. Brown, the secretary do not sign a deed on behalf of the Bank"?—I think so. It was not seconded. Nobody supported it.

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3421. Did you tell the directors upon that occasion that the deed had been actually signed already ?—No ; it was not signed until I got the consent of the directors.

3422. The date of the deed is the 15th July 1865.—That may be, but it was not signed till after that meeting ; it was signed by me as trustee.

3423. Yours is the first signature to it ?—I was the last, I think, to sign, except the Royal Bank of India. I told Mr. Brown that I would not sign it until the directors gave their assent.

3424. Yours is the first signature ?—The first signature is as trustee ; but that had nothing to do with the Bank.

3425. Did you sign it again ?—Yes.

3426. The next signature is yours ?—I did not sign it until last. I told Mr. Brown that I would not do it.

3427. For what reasons did the Bank directors, who were present, concur in granting a release to Mr. Brown of his enormous liabilities ? I believe that he failed for 43 lacs ?—Yes, about that.

3428. And the estate realized at the utmost 25,000 rupees ?—Not so much ; about 14,000, I think.

3429. What were the grounds upon which the Bank consented to grant him a release within a fortnight after he had laid a statement of his affairs before his creditors ?—I presume that they thought that nothing was to be got by doing anything else.

3430. Was not there some hesitation on the part of the directors in allowing Mr. Brown, to go before the insolvent court ?—There was no hesitation ; all that I think was said was, " Why should the Bank of Bombay put him through the court."

3431. Was not there a discussion among the directors, and was not it said that in was not advisable to allow such a transaction to become a matter of public discussion ?—I do not think so ; I do not think that it was talked of in that way, at all.

3432. Are you prepared to contradict the following statement of Mr. Lidderdale ? " It was urged that it was impolitic to allow the public to know that such loans were made of the Bank's money. There was hesitation on the part of the directors about allowing Brown to go through the insolvent court. It was thought undesirable to allow the transaction to be made a matter of public discussion ; my colleagues considered that the Bank was not called upon to put itself in the position of a public prosecutor or a censor of morals."—Yes ; that is what I understood ; the last part of it is what I understood to be what the directors thought upon the matter.

3433. You do not think that they were objecting to Mr. Brown's going through the insolvent court, for fear of the exposure ?—No ; it was perfectly well known in Bombay ; every one knew what the Bank had lent at that time.

3434. What part did Mr. Chapman, Mr. Lushington, and Colonel Ballard take in these discussions ; did they support Mr. Hannay ?—I think so.

3435. I believe that you acted upon the same rule in all the other cases, did you not ?—I do not think that I did.

3436. Not with respect to other estates ?—I think not after that.

3437. But before that had you not so acted ?—No ; I brought all the cases before the directors before that.

3438. I believe that you were called upon to make a return of these transactions of Mr. Brown to the Government of India ?—Yes.

3439. At page 114 of the blue book it is headed thus : " Statement showing the several loans granted by the Bank of Bombay to Mr. Brown, the nature of the securities by which they are covered, and the value of such securities at the present day."—Yes.

3440. Do you remember drawing up that return yourself ?—No ; I did not draw it up.

3441. Will you swear that you did not ?—If you have evidence to the contrary, I cannot swear that I did not, but I do not remember doing it.

3442. Will you swear that you did not give it to Mr. Clarke, an assistant in the Bank of Bombay, to copy, the original being in your handwriting?—No, I do not remember it.

3443. Did you give it to Mr. Clarke to copy?—I do not remember to whom I gave it.

3444. After you had had it copied, did you lay that statement before Mr. Francis Chapman?—I think I did, if the statement was asked for.

3445. I will read to you the evidence of Mr. Clarke upon the subject: "I am referred to the statement at page 114 of the blue book. I remember seeing a form like this in writing in the Bank of Bombay. It was at the beginning of 1866. The form had been prepared for Mr. F. S. Chapman, not signed by him. The scroll of it was prepared by Mr. Robertson, the officiating secretary of the Bank. I received directions to make a fair copy of it. I made a fair copy, and handed both to Mr. Robertson."—I do not remember preparing this. I must have got the information from the accountant's department.

3446. You remark, first of all, that the statement is headed "loans granted."—Yes.

3447. I ask you whether the second loan, described as "on a bill signed by Mr. Brown, jointly with two other merchants who have since failed," was for 45,000 rupees, the amount which is stated in the return?—It must have been for what was outstanding then.

3448. What was the amount of the loan, was it not 50,000 rupees?—It might have been a lac, but that has nothing to do with it; it was for the amount which was outstanding then, namely, 45,000 rupees. It might have been going on for six years, and you might have said that there was originally a lac.

3449. What was the loan which is called the third loan in this statement originally granted for?—I cannot say.

3450. It was for 30,000 rupees. Do you mean to say that there was a renewal for 20,000 rupees?—I should think that there was.

3451. Why are no dates put into this tabular statement?—Because they were not asked for, only the amount was asked for.

3452. Was not it usual to put the dates in a matter of that kind?—It was only wanted to know the amounts. The Government, as far as I remember, were perfectly satisfied with the statement.

3453. When you find that the order of the loans in this form is reversed, is it not singular that the dates should be wanting?—I do not see much in that.

3454. It makes it appear, that you were extremely cautious as you went on, instead of reckless. The effect is to give the impression that you first lent the 2,50,000 rupees, and afterwards small sums?—There was no intention of that kind.

3455. Why were the dates concealed altogether in this statement?—I have no idea; there was no concealment; if the dates had been asked for, they would have been given.

3456. Under the head "nature of securities," it is stated, "originally granted on the personal security of Mr. Brown and his partner, Mr. Best; the latter has not been released. Forty-six Port Canning shares were subsequently given on the loan falling due, as collateral security." Was it not the object of the Government to know upon what security that advance was made, and not the security which was held by you at that time?—Forty-six Port Canning shares were subsequently given.

3457. But you did not state when; it was not until many months afterwards.—If it had been of any importance, I would have done so.

3458. You further state as follows: "Their value at that time was 1,000 rupees paid up and 8,000 rupees premium, or in all 9,000 rupees each. The total value of the whole at the then market price was 4,14,000 rupees." To what time does the word "then" refer?—I have no idea. I do not know when the shares were valued.

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3459. They may have been worth 4,14,000 rupees at the time of the original loan?—Yes, and more than that.

3460. Do you mean to say that at the time when this return was made they were worth 4,14,000 rupees?—I am not sure but what they were worth it at that time.

3461. To what time does the word "then" apply?—Early in 1865.

3462. You say with respect to what is called the second loan of 45,000 rupees, "On a bill signed by Mr. Brown jointly with two other merchants who have since failed"?—Yes.

3463. Who were those merchants, why did not you mention their names?—They only wanted Mr. Brown's loans, and I did not feel justified in giving their names.

3464. That could not apply to Mr. Heycock. Was not he a son of Mr. Heycock, of the Commercial Bank, and had he not absconded?—He absconded in that year.

3465. What difficulty had you in giving his name?—I had no difficulty, excepting as to Mr. Brown.

3466. What difficulty had you in giving Venayek Pandurung's name?—I had no difficulty in giving his name.

3467. You then go on to say with regard to the third loan of 20,000 rupees: "On a bill signed by Mr. Brown, jointly with a solicitor in Bombay. The assets of the party, who is joint security, are in the hands of trustees. From a statement of his affairs submitted to his creditors, the assets were shown to be in excess of the liabilities, but as the principal asset was a coffee estate, and as such property has fallen greatly in value owing to the number of estates belonging to bankrupts at present offering in the market, the trustees do not anticipate that the liabilities will be paid in full."—Yes.

3468. Was not that rather "making things pleasant"?—Not at that time.

3469. What was realized by Mr. Macfarlane's estate?—Very little indeed, but the statement there is perfectly correct.

3470. The impression left upon my mind (we should like you to remove it) is that that is a very artistically prepared statement, to put the very best face upon it.—It was never intended so. I had no reason in doing it.

3471. Will you explain what is the meaning of this passage at the foot of the statement? "*Nota bene* This statement was prepared on 10th March 1866, signed F. G. Chapman, Chief Secretary to Government." Do you know anything about that?—No.

3472. I do not suppose that you are able to explain why the Government of India waited for more than a year for this return?—No, I had done with it in a very short time.

3473. You see that the order of these loans was exactly reversed?—I see so. I suppose that it was giving the large one first.

3474. Was not it in order to leave the impression of increasing caution instead of increasing recklessness?—It was certainly not to leave that impression.

3475. We will now turn to the case of Byramjee Hormusjee Cama. I do not know whether you have looked into that account lately?—No.

3476. We have a statement of the account. There are three cash credits and three fixed loans.—Yes, I think that that is right enough, if you have taken them from the books.

3477. There has been something recovered from the estate, but 17,71,000 rupees was owing to the Bank by Byramjee Hormusjee Cama?—Yes.

3478. On the 9th of February 1865 one of these loans was granted while you were acting for Mr. Blair, namely 94,800 rupees.—It must have been a renewal.

3479. We do not find that it was a renewal.—There must have been part payment and a renewal.

3480. We consider that that is an original transaction, and we have gone through the books with great care. If it was a renewal, when it was brought

to you to renew, did you look at the sum outstanding against that man's name at that time?—I do not think that I did. My recollection of it is that I got him to pay a certain amount.

3481. Did you inquire as to the amount of outstandings?—I should think that I did. I should certainly have done so if it was a renewal.

3482. I admit that Byramjee Hormusjee Cama was a very respectable man, and was probably carrying on a large business in Bombay at that time; but still I want to know, under what circumstances you came to renew, or to grant an advance of 94,800 rupees to a person who had three cash credits to a large amount then open, and a fixed loan?—My impression is that he reduced it, and that he would not have got 94,800 rupees if he wanted a loan; he would have got a lac of rupees if he had asked for it.

3483. On the 1st of May 1865 you lent him another fixed loan of 1,25,000 rupees?—That must have been a renewal. I certainly did not grant it.

3484. We have gone through these cases very carefully, and this is taken from a heading in your own books.—It may be.

3485. It was all looked into.—I cannot remember.

3486. How came you to renew 1,25,000 rupees when he had this enormous sum outstanding?—He must have paid so much on account.

3487. We cannot find that.—I am almost certain that he did.

3488. A few days before he failed he got this 1,25,000 rupees, and there were then due 17 lacs at least?—He did not get a new loan from me.

3489. If it was a renewal, did you renew without consultation with the directors?—I cannot say.

3490. Whom did you consult?—I cannot say.

3491. Do you think that it was wise to trust one man with nearly 17 lacs, without any security?—There was nearly four lacs of Government paper which we sold ourselves; you will find that the amount is 12 lacs.

3492. The only sums which have been paid are 3,33,000 rupees, and 1,84,000 rupees, making four lacs and odd; that reduced the debt to 12 lacs odd; after that there were small sums, but nothing like four lacs; the difference is only two lacs. 10,20,000 rupees is the total loss after the receipts of other small sums.—That has been very nearly realized. I was a trustee of the estate, and I know what we paid in dividends; we paid 27½ per cent. altogether.

3493. The debt was reduced to 10,20,000 rupees. There was no realization by Government paper in that. My recollection is, that there was another loan to Byramjee Hormusjee Cama, which forms no part of this transaction, and which was secured by Government paper and was paid off.—There was very nearly eight annas a rupee.

3494. Was that prudent banking?—He was supposed to be a wealthy man; that is all that I can say upon it.

3495. Did you know that he was dealing largely in cotton with Premchund Roychund?—I did not at the time. I did not know that he was dealing with Premchund Roychund. I knew that he was dealing in cotton very largely.

3496. Did not Premchund Roychund negotiate all these transactions with you?—Generally. There was very little done after I took charge.

3497. He says that he did, and Byramjee Hormusjee Cama says that he never came to the Bank, but that he left it to Premchund?—It was through Byramjee Hormusjee Cama's managing man possibly, accompanied by a letter from Premchund.

3498. We will go to the next case, that of Byramjee Nanaboy Framjee. There was first a loan to him of 50,000 rupees, and he had on the 25th of January 1865 a second loan of 50,000 rupees; there was a loss of 90,000 rupees upon the two loans; who was this man?—He was a merchant in Bombay; he was a relative of Limjee Manockjee.

3499. You granted the loans in his single name; who recommended him to you?—I do not recollect; it might have been Premchund or Cowasjee Manockjee.

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3500. When you granted the second loan were you aware of the former sum outstanding?—I have no doubt that I was. I recollect that that man had loans to the amount of a lac of rupees, but I cannot tell you much more.

3501. You are not able to tell us anything about him?—No.

3502. I will take you to another case, which perhaps you recollect more about. On the 10th of February 1865 you discounted a bill for Mr. John Campbell and Mr. Sidney Smith for 50,000 rupees, and the loss has been 40,000 rupees; who were these gentlemen?—One was a medical man, namely Dr. Sidney Smith, and Mr. Campbell was an architect.

3503. Was Mr. Sidney Smith a medical man in the Government service?—No, he was one of the Peninsular and Oriental Company's doctors shortly before that; he had commenced practice in Bombay.

3504. Was Mr. Campbell a man in large business?—He was a partner in the firm of Scott, McClelland, and Company, not then, but afterwards.

3505. How came you to lend these two gentlemen 50,000 rupees without any security?—They applied for it, and I think that I lent it upon the recommendation of Mr. Hannay. He said that one of them, I forget whether Mr. Campbell or Mr. Smith, had money, and that they would be perfectly safe.

3506. Did you inquire for what purpose these two gentlemen wanted 50,000 rupees?—I did not.

3507. Did it not excite your attention?—I did not inquire.

3508. You thought them perfectly good?—I thought so. I was told, I think by Mr. Hannay; I am not certain.

3509. The following is your letter: "My dear Hannay, what do you think of the enclosed? I question if we will be much the better of the medico's name. I suppose Campbell has some money. Your's sincerely, D. Robertson." "Doctor Smith has a little money. Give them rupees 50,000 for a short period, R. H." (*Exhibit marked* A 137).—Yes.

3510. Did you on the recommendation of Mr. Hannay give these two gentlemen 50,000 rupees without security?—Yes.

3511. That is to say, 5,000*l.*?—Yes; 5,000*l.* was not of much account in those days in Bombay.

3512. Did not you know that those two gentlemen were going to employ that money in a speculation?—I did not know it.

3513. Have you the slightest doubt of it?—On thinking over it now, I should not have the slightest doubt.

3514. Was not giving these loans to these people pandering to the speculating mania which was going on?—We see now that they used the money for the purposes of speculation, but at that time if the Bank of Bombay had not lent, other banks would have done it; they were doing it freely.

3515. On the 26th of January 1865 you advanced to Cursetjee Merwanjee, S. W. Reid, and W. F. Wesché 50,000 rupees, upon which there has been a considerable loss. With whom was the original loan negotiated?—I think that it was with me. Mr. Wesché came to me, and I think that I referred it to Mr. Hannay before giving my answer; it was renewed afterwards, half being paid off, according to my recollection.

3516. You say that you renewed or advanced that loan upon the recommendation of Mr. Hannay. Who was Mr. Reid?—An accountant in the Alliance Bank.

3517. Who was Mr. Wesché?—The manager of the Alliance Bank.

3518. Who was Cursetjee Merwanjee?—A shroff in the Alliance Bank.

3519. Then you knew that those Bank officials were going to invest the money in speculation?—I did not know it, but I thought that they were. I think that Mr. Hannay said that the money was to be given to them, but that there was to be no renewal. I granted it because of Mr. Hannay's recommendation. The letter shown to me is Mr. Hannay's (*Exhibit marked* A 138.)

3520. He says: "I think you are right to give them the money," and then he gives you two very good reasons why you should not. He says that Wesché is a decided speculator, and that it is to be on the understanding that there shall be no renewal; and then he tells you that "old Reid is a great donkey," and

adds, "why make use of the poor old man's name!" If that means anything, it means that the name is perfectly useless. Cursetjee Merwanjee was merely a bookkeeper at the Alliance Bank, was he not?—He was a shroff.

3521. Was not that one of those loans which pandered to share speculations in their very worst form, namely, share speculations by bank managers, and officials?—It looks that now.

3522. The next case is that of Cursondass Mathuradass, who is joined with Sorabjee Byramjee Colah. At first you discounted a bill on the 6th of January 1865 for 50,000 rupees?—That was not in my time.

3523. On the 1st of March 1865 Rs. 50,000 were granted by you. There was a loss of 87,866 rupees upon those two loans?—Yes, I think that he was recommended very strongly both by Cowasjee Jehangeer, and by Premchund.

3524. Do you know who Cursondass Mathuradass was?—No.

3525. His name was given as a surety?—Yes.

3526. The loan was really to Sorabjee Byramjee Colah?—Yes.

3527. You did not take anybody as a surety, did you? Who was Cursondass Mathuradass?—I do not know I do not believe that he was worth anything.

3528. Was not he a bookkeeper of Sorabjee Byramjee Colah?—I believe that he had something to do with him.

3529. He was a broker of Cowasjee Jehangeer's. On the 5th of January 1864 Premchund's opinion appears in the opinion book, A 27: "Quite good for a lac." I suppose that that is the authority upon which you proceeded?—That was as to the first loan, but I should think that I had some authority for the second loan too.

3530. Am I to understand that if you were satisfied with the principal, you did not care whether the surety was good or bad?—No.

3531. Then I ask again why did you take a surety?—It was worth something possibly; they offered the surety, I think.

2532. The next case is that of the Eastern Financial Association. Were you consulted at all upon the grant of that advance of 10 lacs upon a promissory note to the Eastern Financial Association in October 1864?—No, I knew that it had been granted.

3533. Those 10 lacs became due on the 18th of January 1865, when Mr. Blair was absent. Did not you agree to renew that loan?—I do not remember.

3534. We have the distinct evidence of Mr. Watson, the manager of the Eastern Financial Association, and he says, "I asked Mr. Robertson, of the Bank of Bombay, to renew the loan."—Yes, very likely.

3535. Did you make any difficulty about it?—I do not remember.

3636. Did you ask for any security?—I did at one time.

3637. Did you then?—I cannot tell you; I do not remember; very likely I did not.

3638. Do you remember Premchund Roychund asking you to renew that transaction?—I forget. I do not remember who spoke to me about it. Kessowjee Naik, who was a director of the Financial Association, and Mr. Brown came to me to explain the position, I do not know whether it was then or afterwards.

3539. You made no difficulty and you renewed that bill at that time?—I suppose that there would be no difficulty.

3540. On the 27th of January 1865 you granted a further loan to the Association, for two lacs for one month at 13 per cent., did you not?—I think that it was not so long as a month.

3541. It was for a month, and it was paid off by the Bank of Hindustan?—I do not remember that circumstance at all.

3542. On the 16th of March 1865 you granted the Eastern Financial Association a cash credit of 2 lacs, did you not?—I think that they did get a cash credit.

3543. How long was that for?—A week or ten days.

3544. Fifteen days, was it not?—I do not remember.

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3545. Why did you grant it for fifteen days?—Mr. Watson came and explained to me why he wanted it, and the prospects which he had of getting money.

3546. It was not for a speculation?—No; it was for the purposes of the Association.

3547. Did you press for payment at the end of the fifteen days?—Yes; and I think that I made good terms with them with reference to the ten lacs as well.

3548. At the end of the fifteen days did you press them for payment?—I forget. I think that at that time I went away.

3549. Mr. Watson says that payment was not pressed for?—I know that I went away at the end of March, before the 31st, and possibly they did not press for it in my absence.

3550. On the 27th of March 1865, and the 3rd of April 1865, two lacs were discounted at the Surat branch of the Bank of Bombay to the same Association?—Yes.

3551. Do not you recollect that a telegram was sent from Surat to ask the Bank of Bombay whether the agent at Surat should accept those bills?—I know that there was a telegram, because I have seen it since.

3552. And did not you sanction that discount?—I do not remember.

3553. Mr. Blair says that he did not?—He was at Bombay on the 16th of March, and I went away about that time for a fortnight.

3554. Do you recollect anything about it?—I do not recollect anything about it, except that I think that he wrote to the agents afterwards, at my instance.

3555. That is as to the Kurrachee Branch. I am talking of the Surat Branch. Had that branch the sanction of the head office to discount two lacs, when that Association had twelve lacs outstanding at the head office?—I do not remember anything about it, except that I know it was done.

3556. As to the Kurrachee Branch, you know nothing about it, I suppose?—No; except in the same way.

3557. It was done at the Kurrachee Branch without the consent of the head office. Do you think that it was prudent, first of all, to grant ten lacs upon a promissory note signed only by the secretary, and not by the directors, and then to grant a cash credit on a promissory note signed by the secretary, and not by the directors?—I do not know that the secretary had the power in the first instance, but afterwards he had the power by a power of attorney to do it.

3558. Do you think that it was safe banking to lend fourteen lacs upon mere promissory notes?—It has not been safe, certainly.

3559. I believe that the bill for ten lacs became due again upon the 24th of April 1865?—I do not remember.

3560. What did the Bank of Bombay do then?—I think that we pressed for payment then.

3561. What reply did you get from the Eastern Financial Association?—I think that they asked us to give them time, as they had large sums to get in.

3562. What arrangement did you make?—I do not remember. I think that we did not give them time.

3563. You pressed them for payment of the ten lacs?—Yes, I think so; and I think that it was then that Mr. Brown came with Kessowjee Naik, to show me that the Association was perfectly good for more than ten lacs.

3564. That letter is in the handwriting of Mr. Watson, the manager of the Eastern Financial Association? (*showing Exhibit* E 5 *to the witness*)—Yes.

3565. I find that he wrote this letter to you: "My dear Robertson,—I send to the credit of our account Rs. 1,25,000, and trust that you will allow the bill to lie over for a day or two, when we will renew for eight lacs. I hope you will excuse me for asking this, but we have several loans out at present which we cannot get up, although quite good. Things are looking black enough, but I trust it will clear up yet. Yours sincerely, William Watson." How was it, when you received this sum of 1,25,000 rupees; why was not it taken in reduction of their debt?—I do not know. I did not remember anything about it till I

saw Mr. Watson's evidence, and I sent out to Bombay to know how he could account for it, and he could not state anything but what he had there said.

3566. He said in his evidence, "I must have sent some money to the Bank of Bombay on the 24th of April 1865." He was then asked, "How was it that rupees 1,25,000 was refused by the Bank of Bombay?" "We paid 1,40,000 to the credit of our current account with the Bank of Bombay; not on account of the 10 lacs bill, as appears from our pass book. I did not remember the latter when I spoke. I cannot explain the matter." We had the pass book, and put it into his hands. He goes on to say, "I think we hoped to reduce the bill also." Then I said, "You were in funds on the current deposit account. Why did the money go to the credit of that account instead of on account of the bill for ten lacs. You had three lacs to the credit of the current deposit account when the rupees 1,40,000 were paid in. By whose instrumentality was that arranged?" Then he says, "I should like to look at the pass book." We showed that when this 1,40,000 rupees was paid in, the current account was very largely to the credit of the Eastern Financial Association, and he said, "We were not in funds if the past due cash credit is taken into consideration." But still my recollection of the pass book was that it was about three lacs, and the past due cash credit was only two lacs. He says, "I believe the 1,40,000 rupees was paid to reduce the cash credit. The bill for ten lacs remained past due, with these securities held for it. There were some letters about it." What is your impression of that transaction? The moment that you are pressing for payment of the ten lacs, the man sends you money, and he says, "I will renew for eight lacs;" and we find that instead of being carried to the loan account, it is carried to the cash credit account, which was in funds at the time.—I cannot explain it. I expect that he placed it to his current account and then drew it out again. He said to me that he did not send it for that, but I am afraid that that must have been the way of it.

3567. It seems to be extraordinary that it was not taken in reduction of that loan.—It ought to have been so.

3568. Not only that amount, but 15,000 rupees were paid in to the current account on that day; 1,40,000 rupees altogether.—I asked Mr. Watson about it, and he could not tell me.

3569. We had hoped that you would be able to explain that transaction.—Even if the whole was not paid we should have been better than we were.

3570. It is another instance of the extremely loose way in which everything was done.

We will go to the next loan, namely, to Ghellabhoy Puddumsey. On the 30th of March 1865 you discounted a lac for him without any security, and there has been a loss. There was security lodged in July, and in the following year. I suppose that you know who Ghellabhoy Puddumsey was?—Yes.

3571. He was a great speculator, was he not?—Yes; he was a director of the Alliance Financial Company.

3572. Was not he a director of the Deccan Cotton Company, and of two or three other companies?—Yes.

3573. Did you enquire how much was outstanding against that man's name when you granted him that advance?—It was my regular practice to do so, and I must have done so.

3574. You found out that there were 6,06,000 rupees against him on Alliance Finance bills?—Yes.

3575. And also another amount outstanding against him, with Mr. Cooper and the Deccan Cotton directors?—Yes.

3576. Did you think that a prudent investment without security?—I thought that it was pretty safe; the man was in business and connected with an old firm.

3577. Was not he a well-known speculator?—Yes, but was a large cotton dealer also.

3578. Under whose advice did you act in granting that loan?—I should think that it would be Premchund Roychund, but I am not certain. The letter now shown to me (A 139) is Ghellabhoy Puddumsey and Company's appli-

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cation. The endorsement upon it, "He is quite safe for two lacs more if you can do it. P. R.," is in Premchund's handwriting.

3579. Then in taking this loan you acted under the advice of Premchund?—Yes; but we did not give him so much; he wanted two lacs and we only gave him one. I think that there was another application at the same time.

3580. The next case is that of Dhunjeebhoy Framjee. He had a fixed loan on the 20th March 1865 for 2½ lacs?—Yes.

3581. Who was he?—He was the son of Framjee Nussurwanjee.

3582. You took no security from him?—I took no security from him.

3583. He says that you never asked for security?—Yes.

3584. The loss upon that loan has been 18,000 rupees.—Yes.

3585. How came you to grant it?—I think that he came himself to me about it, and that he was introduced to me by our head shroff, who knew him very well. He was a respectable man.

3586. Why did you not ask him to get the security of his father for that loan?—I was told that he was perfectly good himself, and he was.

3587. It is a very large sum?—Yes. I believe that if our directors had pressed him very hard, we might have got more out of him.

3588. I want to know why you did not get him to give the name of his father to that bill?—I thought that we did not require it.

3589. When did he fail?—It must have been in 1865, I think.

3590. He said in his evidence: "I applied to Mr. Robertson, and he told me that he would give me two and a half lacs on my promissory note. He did not ask me for any security. The loan was not renewed. At the due date I paid Rs. 40,000, with the understanding that in a few days I would pay the remainder; but there was a serious panic in the Bombay market. I paid three sums on account, and afterwards compromised for the balance. The Bank of Bombay pressed me for payment; they did not sue me. I negotiated the loan with Mr. Robertson, the deputy secretary, because Mr. Blair was not in the bank"?—Yes, that is quite right.

3591. Why did not you sue that man?—We were not suing any one at that time. It was thought better not to do it at the time.

3592. By whose advice was it that you did not sue him?—It was the general wish of the directors that no action was to be raised at that time against any debtor of the Bank.

3593. What directors were of that opinion?—It was the general opinion, there was no special order.

3594. Was that to apply to all debtors?—I thought so at the time, but we had not many debtors; bills were not falling due until June and July, I think.

3595. Is it not manifest to anybody that, with a father such as he had, if you had put him into court you must have recovered that money?—Possibly we might; and possibly his father might say, "As you have done it, I will let him go, and you may take what you can get."

3596. Did not his father eventually come forward and pay something for him?—Yes. I got 40,000 rupees from him first, and then his father came forward and offered four annas, and then six, and then eight, and said that he would not go further. Possibly if we had put Dhunjeebhoy into court we might have got more.

3597. What you recovered was not obtained for a long time, was it?—So much was paid down, and so much was paid in a month or six weeks afterwards, I think.

3598. The next transaction about which I will ask you is that of E. J. Howard, who had a discount at the head office on the 6th February 1865 of 50,000 rupees. There has been a considerable loss upon that, nearly half, and there has been great difficulty in getting what has been recovered. Mr. Howard was a barrister, was he not, and head of the Educational Department?—Yes; he was Director of Public Instruction. I do not think that he was so then, he had then given up that appointment.

3599. Had not he gone headlong into speculation at that time; and was not it well known that he had done so?—I do not think that it was well known then.

3600. He was in the Bank of Guzerat with Premchund, was he not?—Not then; that was afterwards.

3601. Was not it well known that Mr. Howard had gone into speculation?—We did know of it very soon afterwards, I think.

3602. You knew that he was not a trader?—Yes.

3603. You knew that he was engaged in a profession in Bombay?—Yes.

3604. How came you to lend him 50,000 rupees with no security whatever?—He was thought to be perfectly good for the amount and a great deal more. He was said to have realized a large fortune; there was something which his brother had left him.

3605. Was not he introduced to you by another speculator, namely, Mr. George Taylor, another barrister?—I think that he did introduce him.

3606. Here is Mr. Taylor's letter (*Exhibit* A 140): "My dear Mr. Robertson, will you allow me to introduce to you Mr. Edward Howard, Director of Public Instruction? He wishes for a loan of a lac; if he can be accommodated, I have no hesitation in giving you a recommendation. Yours truly, George Taylor." What do you think of the recommender?—I did not act upon his advice.

3607. Whose advice did you take?—I think that it was Premchund's or Mr. Hannay's; I am not certain. I should think very likely both. The letter now shown to me is my letter to Mr. Hannay about the application (*Exhibit* A 141). Mr. Hannay has written across it, "say Rs. 50,000."

3608. Was not it manifest both to you and to Mr. Hannay that that money was going to be invested simply in speculation?—I suppose that it was.

3609. It is a serious reflection upon the administration of the Bank that its officials, its chairman, and its secretary should be lending money knowing that it was going to be spent in this way.—We did not know, in fact we did not ask.

3610. We will take next the case of Jejeebhoy Dhunjeebhoy; he obtained a discount at the head office of 50,000 rupees on the 30th of January 1865, and there has been a total loss of that amount. On the 17th of May 1865 he obtained a discount of 35,000 rupees with another party?—That is not the same Jejeebhoy Dhunjeebhoy; the first is Sir Jamsetjee's son-in-law, and the other is a different man altogether.

3611. Mr. Bullock did not give us that explanation, and we examined him about it. Take the loan at the head office. How came you to give that man 50,000 rupees without a scrap of security except his promissory note?—I cannot say, except that I referred it in the usual way.

3612. You referred it to Premchund?—Very likely.

3613. You did so, and it was recommended by Premchund by a minute of the 26th of January; in fact, at this time you were in the habit, as Mr. Blair had been before you, of referring all these to Premchund?—Yes, this is Premchund's reply (*Exhibit* A 142), "Give him half a lac, either for one or two months, not longer. P. R."

3614. You acted solely upon the advice of Premchund as to that loan?—Yes.

3615. The next case is that of Jummadass Khooshaldass. On the 16th of March 1865 (that is the day that Mr. Blair came back) he had one lac?—Yes, I remember something about it.

3616. Who was he?—I forget what he was, but the man came to me once or twice when the bill was being renewed, and I think with Graham and Company's broker; and he told me that I was quite safe in renewing it.

3617. Did you consult any director as to that?—I do not remember, but it must have been then that this man came to me about it, and we got several payments, I forget how many.

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3618. The next case is that of Khetsey Sewjee and Company. On the 20th of February 1865 they had 50,000 rupees, and the loss has been 49,420 Rs. You discounted that bill, upon no security whatever, in a single name?—Yes, to the firm. There must have been a letter. I do not know to whom I referred, very likely to Premchund, or possibly to Nicol and Company. The borrowers absconded, and we have never been able to find them. They were cotton dealers, but very likely they speculated.

3619. The next case is that of Shapoorjee Ardaseer. On the 16th January, the day that Mr. Blair left, he had 50,000 rupees. There was a loss on that.—That was compromised.

3620. I see that you were recommended to make that advance by a discount minute of Premchund Roychund. Who was Shapoorjee Ardaseer?—I do not recollect.

3621. These cases are only seventeen which I have selected, out of, I should think, fifty cases of loss, which occurred during those eight weeks for which you acted for Mr. Blair?—It is very likely.

Adjourned to the 24th November at 11 o'clock a.m.

LIBRARY OF THE BOMBAY BRANCH OF THE ROYAL ASIATIC SOCIETY

Tuesday, 24th November 1868.

PRESENT :

President.

Sir CHARLES JACKSON.

Member.

Major MCLEOD INNES.

Secretary.

F. D. CHAUNTRELL, Esq.

DONALD ROBERTSON further examined.

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3622. (*President.*) When I was examining you yesterday with regard to Mr. Brown's loan, I understood you to say that the tabular statement was quite inadvertently framed in that incorrect way in which it appears in the Blue Book, and that there was no design in it?—Certainly; none whatever.

3623. Did you write this letter to the Government? (*Handing to the witness a letter of the 5th of March.*)—Yes. (*Exhibit marked* C 4.)

3624. You find that in this letter also the dates of these loans are not stated?—No, they are not.

3625. The order in which they were granted is reversed?—Yes.

3626. And you find that the amounts of the renewals, and not of the original grants, are given?—Yes. That was the amount outstanding.

3627. All the statements in the tabular statement, as to the securities and the probable realisation of those securities, are also found in this letter?—I think that it is so.

3628. Do you remember Mr. Tracey getting a cash credit of five lacs from the bank, on the 8th of December 1864?—I remember that he had a cash credit, but I do not remember the time. I observe, on referring to the cash ledger, that it was granted on the 8th of December 1864.

3629. Do you remember for what purpose that was granted?—No.

3630. It was a cash credit to himself, and not to his firm?—It is to himself.

3631. He was a director of the bank at that time, was he not?—No.

3632. He became a director a month afterwards?—Yes.

3633. You do not know anything about that?—No. If I remember rightly, it was for a short time. It was paid off on the 13th of February 1865.

3634. Did not you superintend the branches during Mr. Blair's time?—Yes, for a time.

3635. Was that your duty as Under Secretary?—No.

3636. What were the instructions given to the agents at the different branches?—There was a printed book, which they all got, of general instructions, and there were special instructions sent to them.

3637. Was Rule 4 ever filled up when the printed instructions were sent to the agents?—No.

3638. What were the powers of the agents at the different branches?—They were authorized to do general banking business, and to purchase hoondies payable chiefly in Bombay, and some in Calcutta. They at first sent the names themselves, and the idea, which they had formed at the place, of the amount which should be advanced to each party, or the extent to which they might take their hoondies; and these were revised by one of the native dircctors of the bank, if possible, and returned with the amounts fixed. After a time that was given up. I think that Mr. Cowasjee Jehangeer

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said that he thought that after the agents had been there for a certain time they ought to be better judges than anybody in Bombay as to the amounts which should be granted.

3639. Down to 1863 and the beginning of 1864 the discount lists at the branches were revised, first of all by Cowasjee Jehangeer and afterwards by Premchund Roychund, were they not?—Yes; and sometimes by Rustomjee Jamsetjee Jejeebhoy. He was a director.

3640. I find none of his, but I find that they were revised for Surat and Bhownuggur by Premchund Roychund?—Yes.

3641. Eventually the practice of having discount lists was discontinued?—Yes.

3642. Was it in consequence of that letter, or a similar letter sent to the branches? (*Handing Exhibit A 75. to the witness.*)—Yes; I think that the last paragraph was from a letter written by Cowasjee Jehangeer.

3643. It says: "Persons who have been stated to be worth 'any amount' have been fixed at a maximum of three lacs, that being in the opinion of the directors sufficient credit at one time for any person except in special cases, in which the agents are at liberty to exercise their discretion;" that is to say, giving them an unlimited discretion?—Yes, certainly.

3644. Then I am to understand that there was no limit upon the discretion of the agents?—That agent, namely, the Hyderabad agent, sent us a hoondie for four lacs of rupees, and he was told not to grant more than one lac at a time.

3645. That was a very extraordinary order to give him, when all the other banks were granting two lacs with perfect freedom, and the Kalbadevi branch was granting five lacs?—I recollect that on one occasion he sent us a hoondie of four lacs for one man.

3646. Was that after May 1865?—No; it was before May 1865; and he never sent us a hoondie for such a large amount again.

3647. After that, did not another system creep in at the branches, namely, of referring the matter to the agent, and telling him to consult some other person at the branch? A circular was sent round on the 6th January 1865. We have found two of them, and there may be others. This is one of them: "We are informed that if at any time you should require information regarding the standing of parties who may wish to discount or have advances from you, Mr. Abbaichund Cullianchund will be happy to render you every assistance. He is agent for Premchund Roychund, and his information should consequently be trustworthy, and I would recommend you to apply to him whenever you may be in doubt." (*Exhibit A 77.*) That is for Surat. Then to the sub-agent at Broach the following letter was written: "Dear Sir, We are informed that if at any time you should require information regarding the standing of parties who may wish to discount, or have advances from you, Mr. Anoopchund Maloockchund will be happy to render you any assistance. As this reference has been made by Mr. Premchund Roychund, any information Anoopchund may give should consequently be trustworthy. (*Exhibit A 78.*)"—Yes; I think that one was sent to Ahmedabad at the same time.

3648. Recommending Premchund's agents to give them information?—Yes.

3649. Did not you also get some weekly returns regularly?—Yes; statements of the transactions, showing the business done in the week.

3650. But they did not show on what securities the money had been granted?—No.

3651. Whose business was it to read those returns when they came?—They were sent first to the accountant's department, to check them off in the head office ledger, and to balance the outstandings; and then they went to the department of the Inspector of Branches. They first went to the secretary; he opened all the different letters and returns from the branches.

3652. They did not come back to the secretary after they had left him?—No; not unless he asked for them.

3653. He was not in the habit of asking for them, was he?—Sometimes.

3654. Were they ever laid before the board of directors?—I do not think so.

3655. Were they ever laid before the president?—I do not remember; they may have been.

3656. The monthly returns were a little more particular, were they not?—Yes; they gave us a list of all discounts.

3657. Did they give any other particulars besides?—They gave a list of deposit accounts, and at the end they gave the general balances, and these monthly lists should agree with the statements.

3658. Did the monthly returns show on what securities the loans were made?—I think that latterly they did, but not at first.

3659. What instructions did the inspector of branches receive?—I had been an inspector in Scotland for some time, and I followed the course pursued there. I went to the branch, and examined the cash, and I went over the bills, but at that time very few bills were payable at the branches; it was chiefly hoondie businesss. I used to see that everything was correct.

3660. Used you to visit all the branches?—No; there were not very many branches opened when I was inspector.

3661. Was not the Kurrachee branch opened?—Yes.

3662. You never visited it?—No. At the beginning of the next year I was made officiating deputy secretary; the Kurrachee branch was opened in March 1863, and I was away for three months at Hyderabad.

3663. The Hyderabad branch was never visited at all, except at the opening?—No; it had been opened for a short time; but I went there principally to arrange the system of accounts which had to be kept on account of the currency.

3664. What branches did you visit during your time?—Ahmedabad, Surat, and Poonah. I think that that was all.

3665. What was your system in visiting these branches? Did you come down suddenly upon the agent?—Yes.

3666. Did you give any notice of your coming?—No; but it was very difficult to go to any branch in India, the same as we do in this country, without its being known that we were coming.

3667. You did not come upon them at once, and ask for the books and the money, in the same way as they do in Scotland?—No. It is impossible to do that in India.

3668. You did not take possession of the branch at once?—I took possession immediately I got there. Of course the agents knew well enough that I was on my way to the place.

3669. What used you to do when you got there?—The first thing was to count the cash, and the next was to take the bills if they had any, and in fact to balance their accounts.

3670. Did not you see whether their bills were authorized?—No.

3671. They did not require any authorization?—I do not think that they had any bills at the time.

3672. The evidence which we had from a most satisfactory witness, Mr. Fraser, (I think one of the best witnesses whom we had,) was that these branches were very seldom visited unless there was something wrong.—Very seldom. We could not spare Mr. Fraser from the head office, as we had so much to do; although he was a good part of each year away. He was on duty in Dharwar at one time over four months.

3673. On the 21st of April 1865, I think you sent a circular round to all the branches, inculcating the utmost caution (that was just at the time when a panic was coming on), and, in particular, warned the agent at Kalbadevi to avoid transactions with parties doing business at the head office?—Yes.

3674. You afterwards required them to send up their available cash balances to the head office?—Yes.

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3675. The branches were virtually closed about May 1865?—To the best of my recollection very little business was done after that.

3676. I wish to ask you a few questions as to the Kalbadevi branch. For what object was that branch opened?—I think that it was opened for general business, chiefly for deposits, and the convenience of the native constituents of the bank who lived in that neighbonrhood.

3677. Was it a very great convenience to save their walking a mile?—They said so at the time. I believe that it was Mr. Cowasjee Jehangeer who was very anxious to have it opened.

3678. Was it opened as a branch, or was it opened as another office in Bombay?—It was certainly opened as a branch.

3679. Did you consider whether that was a violation of the express terms of the Bank Act?—I did not.

3680. It authorized you to open branches out of Bombay?—Yes.

3681. You took no legal opinion about it?—I do not remember any opinion having been taken about it. It may have been, but I do not remember.

3682. The Government officials did not raise any objection upon that point?—Not that I remember.

3683. By whom were the agents at those branches appointed?—They were appointed by the directors. I suppose that the secretary would recommend them to the directors. I think that that was the practice.

3684. Who appointed Mr. Bullock?—There was another officer of the bank appointed first, before Mr. Bullock, namely, Mr. Smith, and he refused the appointment. He became manager of the Financial Association of India and China. He had made up his mind to leave. Mr. Bullock was supposed to be the next person eligible for the appointment. He was an assistant in the bank. He had joined it in the beginning of 1862.

3685. Was he considered a person of experience?—Not in banking; he had never been in a bank in Bombay.

3686. Had he not been in a shop in Bombay?—No; he was in a press company, I think, at Colaba. He was got into the bank through the interest of Mr. Cowasjee Jehangeer.

3687. How did he get his appointment at Kalbadevi?—I do not know what took place at the board; but probably Mr. Cowasjee Jehangeer would speak for him.

3688. It appears to me to have been a most disastrous appointment.—There were great losses.

3689. Was that agent supposed to have independent authority, or was he considered to be under Mr. Blair, and afterwards under you?—Certainly not; he was acting on his own authority, the same as any of the other agents. I think that Mr. Cowasjee Jehangeer made a stipulation that Premchund was to visit that branch every day. I think that he wrote to Mr. Blair to that effect.

3690. We never heard of that before.—I think that Mr. Blair will tell you so.

3691. Mr. Bullock never told us that either.—I think so. I have an impression that Cowasjee Jehangeer did write to him to that effect.

3692. Was not it the fact that he was told by Mr. Blair and by yourself, if not by others, to consult Premchund Roychund in his business?—I think that he was.

3693. Can you mention anybody else who told him to consult Premchund Roychund besides yourself and Mr. Blair?—No.

3694. Do you remember any of the directors giving him the same instructions?—No.

3695. Was not he in the habit of very constantly coming over to the bank and consulting with Mr. Blair, and afterwards with you?—He was in the bank every day, I believe, but not consulting with us. He came for a long time with his spare cash in the evening.

3696. But he did not come to consult you?—No.

3697. Was not he in the habit of coming and asking whether parties had loans outstanding at the head office?—Possibly he might have come; but he would have gone to the accountant as to that.

3698. To Mr. Maclean?—He would get the information at once in the accountant's department. He might not go to Mr. Maclean, because he might go to the clerk who had charge of the discount ledger.

3699. I will refer you to two or three loans at the Kalbadevi branch. First, Burjorjee Rustomjce; he had borrowed money at the head office?—I think that he had had a small amount at the head office.

3700. He obtained at the branch, with Davidass Luckmidass, five lacs on the 1st of February 1865; that was when you were acting as secretary?—Yes.

3701. Did you know anything of it?—No. I did not know of it until afterwards.

3702. Did you not know at the end of the week that five lacs had gone out on that day?—I think that I knew of it when I saw the statement. I think that I remember seeing it on its being pointed out to me.

3703. There was no security whatever for that loan, was there?—I do not know. I think that there was.

3704. There were two shares of the Elphinstone Land and Press Company ultimately deposited?—I think that there was security; at least there was security latterly.

3705. Who was Davidass Luckmidass?—A broker.

3706. A man of no property whatever?—He had some.

3707. He stated to us that he had none.—There was property, and it was given over to trustees, under Act 28 of 1865.

3708. The shares in the Elphinstone Land Company were lodged, and you paid calls upon them of 33,022 rupees. There has been a considerable loss upon that transaction?—Yes.

3709. Would Mr. Bullock negociate that advance without consulting you?—He did it without consulting me.

3710. On the 16th of December 1864 he granted Burjorjee Rustomjee, with Atmaram Madhowjee, 2,50,000 rupees; do you remember that?—No, I do not remember that particular transaction. I remember the five lacs. I have inquired about Burjorjee, and I was told that he was a man worth about fifteen lacs of rupees.

3711. You knew who he was, namely, the son of the old cabinet-maker?—Yes; I found that out afterwards, but I found out that he had money.

3712. Fifteen lacs?—Yes. It was very likely exaggerated.

3713. On the 3rd of September 1865 another sum of 30,000 rupees was lent at the Kalbadevi branch to Burjorjee Rustomjee and Atmaram Madhowjee; did you hear of that?—No. Was not that for the payment of calls?

3714. It may have been raised for that purpose?—We got in, and could not get out.

3715. On the 2nd of September 1865 there was a promissory note in Burjorjee Rustomjee's own name at the Kalbadevi branch for Rs. 15,000; did you hear that that was an advance on land?—No. In fact I have never heard of it yet.

3716. I will read to you what Mr. Bullock says about it:—"In the first loan on the list calls were due by Burjorjee upon those shares held by the bank in respect of the first loan. The title deeds of his property appear on the list to be held in respect of this particular bill, but that is not necessarily the case. The title deeds were deposited on the date of the loan, the 2nd of September 1865. But this was not an advance upon landed property; it was simply taken over by me to secure the bank against loss. It was not taken for this particular debt, but in order to secure an outstanding debt." So that he was quite aware of that distinction, but he did not see that, when he lent money at the time he took the security, he was lending money on land. Were you

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aware of that fact, that Mr. Bullock was advancing money on land?—No. I was not aware of it until this moment.

3717. These are enormous sums, five lacs, two and a half lacs, 30,000 rupees, and 15,000 rupees, lent in fact to Burjorjee Rustomjee, these other men being security. Davidass Luckmidass was a broker?—Yes; and at that time Burjorjee's credit, I suppose, was shaken.

3718. The real reason why the name of Davidass Luckmidass was taken was that the two and a half lacs were granted originally to him alone, and then, when it was found that the market for shares was falling, Mr. Bullock insisted upon his disclosing his principal, and he named Burjorjee Rustomjee. You never heard that it was borrowed by Burjorjee Rustomjee, and Atmaram Madhowjee, for a speculation in Commercial Bank shares?—No. I suppose that the shares were afterwards deposited with the bank.

3719. They were deposited, but not directly, I believe. Can you defend a system like this, to allow a branch to discount money to this enormous amount without communication with the head office?—No; I cannot defend it.

3720. Was not it your duty to have seen that these large sums were reported to the head office?—Yes; but at that time I very often did not see the statements, and they were not brought to my notice.

3721. Ought not you to have seen the statements?—It was utterly impossible; the work was enormous at that time.

3722. I believe that Mr. Dixon, of the Bank of Bengal, knows everything which is going on at every branch of his bank?—It is utterly impossible that he could do more than the secretary of the Bank of Bombay did. I used to work as hard as I could all day.

3723. I will take another case at Kalbadevi, namely, that of Gopalrow Bulwunt, and Pranjivundass Hurjivundass. On the 21st of January 1865 there was a discount at the head office of 50,000 rupees; that was granted by you?—Yes.

3724. On the 1st of February 1865 Gopalrow obtained 60,000 rupees more, and there is almost a total loss upon that transaction. Were you aware of that loan?—No.

3725. You afterwards became acquainted with the fact?—Yes; when I got in the returns after June 1865 I knew everything.

3726. Did you inquire of Mr. Bullock how he came to grant 60,000 rupees, when 50,000 rupees had been granted at the head office?—I think that we inquired in most cases; but I do not think that we inquired about that particular one.

3727. Did not you give instructions to Mr. Bullock never to advance to parties in Bombay without inquiring at the head office as to what loans were outstanding against them there?—I think that there were instructions to that effect.

3728. When were they given?—I do not remember.

3729. It was on the 10th of January 1865 you wrote as follows: "Before discounting bills of considerable amount, we wish you to refer to head office, as we are averse to the granting of disçounts at head office and also at local branches." (*Exhibit marked A* 85.) You meant to prevent Mr. Bullock's discounting any bills of a considerable amount without inquiring?—Yes. The letter shown to me relates to Gopalrow's first bill. (*Exhibit marked A* 93.) I obtained Premchund's advice. He says, "Safe for half a lac."

3730. Mr. Bullock says, in his evidence, that he got Premchund's advice also?—He may have done so.

3731. Did Premchund know that you had granted half a lac at the head office?—He must have known it after that letter. It was only a few days afterwards, I think you said.

3732. He told you only to advance half a lac, and the man got 60,000 rupees more at the Kalbadevi branch a few days afterwards?—He must have done so.

3733. Do you not recollect that being brought to your notice?—No.

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3734. That ought to have opened your eyes to Premchund's proceedings.—It would have done so, I think, if Mr. Bullock had told me that at the time, because there were several other cases in the same way; there were one or two instances. We got them paid off, fortunately.

3735. I understood you to say that Mr. Bullock was told to consult Premchund on all occasions?—To the best of my recollection he was told; I have no doubt that he was told.

3736. Did you not afterwards institute an inquiry as to how that branch had been conducted?—Yes; Mr. Fraser visited it, and reported.

3737. And you yourself made inquiries, did you not?—I think so. I did not go to the branch.

3738. What was the result of your inquiries? We have Mr. Fraser's report. He speaks of the influence of Premchund at the Kalbadevi branch. What wa[illegible] your opinion as to the management of that branch?—I understood all al[illegible] that Mr. Bullock had acted under the advice of Premchund.

3739. Were you aware that Mr. Bullock was under pecuniary oblig[illegible] Roychund Deepchund?—No.

3740. I believe that it was your desire, was it not, to [illegible] branches to make exertions to invest your capital?—Of co[illegible] at one time, when we had a large capital.

3741. I think that you wrote this circular let[illegible] did you not? (*Handing to the witness* [illegible] latter part of it was written on a[illegible] the agents, with reference to fu[illegible]

3742. The letter says, "[illegible] cash which has been for a[illegible] aware that it is of much[illegible] throughout the country[illegible] that you will cultiva[illegible] there may be no hi[illegible] money. You will [illegible] in conn[illegible] of that [illegible] to the h[illegible]

3743. [illegible] however [illegible] permission [illegible] with branc[illegible] account in [illegible] to head of [illegible] account of [illegible] regulation [illegible] after me.

3744. [illegible] myself in [illegible]

3745. [illegible] render a[illegible] have be[illegible]

3746. [illegible] better [illegible] head o[illegible]

3747. [illegible] way?—[illegible]

3748. [illegible]

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3749. I should think that it would be the business of the inspector of branches to do that?—He could not do it. He could not settle the rates, because they were changing from day to day.

3750. On the 19th of December 1864 you wrote to the Kalbadevi branch as follows:—"I observe that your fixed loans have increased this week to rupees 2,50,000. Will you be kind enough to say on what information those advances have been granted? The same remark also applies to your bills discounted, which have also increased fully one lac. Please mention your rates of fixed loans and bills discounted in your statement.—D. Robertson." (*Exhibit marked A* 83.) You wrote again on the 23rd of December 1864:—"Dear sir,—We observe that for some time back your drawings on head office have been very heavy. Please, before making any large drafts, to give notice of your intention to do so, and state for what purpose they are required. We hope these large demands on us are not paid out in the way of advances by ivate bills; and such bills as you do take we trust you are satisfied from information that they are perfectly safe. Before taking any large dis- that may be proposed to you, you ought to refer to head office. proximity to head office this can be easily done." (*Exhibit*) Was that order obeyed? Did Mr. Bullock come and h the head office?—I believe not; I do not think that

hat he did not; but I want to know what the man of this kind, and never enforced them? fore I found out that they had

tter to which I have already esterday granted a draft on Davur for rupees 96,000. the ruling rate for three by your informing us discounting s we are

system?—I cannot form an opinion upon that point. It is very difficult to say.

3762. If I had asked you the question, whether it originated in the misconduct of any particular party there, perhaps you would have hesitated to answer; but I ask you whether it must not have been the fault of the system, and you say, yes, that it must have been partly the fault of the system. If it is partly the fault of the system, whose fault is it; to whom ought that fault to be attributed?—You can hardly call it a fault. A branch was opened, and a certain system was adopted as to granting loans and discounts, and that was followed——

3763. Was not that system a very loose system, imposing no sufficient check upon the agent as to the limits to which he should discount, and giving him no proper instructions; was there any proper system of instructions?—The only instructions were the general instructions, and the letters which we sent.

3764. Most of these were when the mischief was pretty well done?—Yes.

3765. I did hope that you would be able to make some defence in that respect. Were you aware that at Kalbadevi the agent was actually openly advancing upon shares in 1864?—No, not in 1864; but in the beginning of 1865 I found it out.

3766. Mr. Bullock seemed to be quite amazed when I told him that neither Mr. Blair, nor you, had power from the directors to make any such advance, and that you were restricted by the resolution of the 6th of August 1863. He said that it was openly done by him, and that you, and Mr. Blair, knew perfectly well that he was advancing on shares all the time. Were you aware of it in 1864?—I do not think that I was. It was only when we commenced writing those letters that we saw that this balance of bills outstanding had got up very largely.

3767. Here is a copy of Mr. Bullock's letter in reply to your letter of the 19th December 1864, when you were secretary. He says: "In one or two cases in which we accepted collateral securities, shares in the Bombay Reclamation Company, deposit receipts of the Asiatic Bank, &c., with private bills, we included these transactions with our fixed loans, but as they fall due we do not renew them; and collateral securities will in future be taken with private bills for safe custody in the manner in which this is done at head office." (*Exhibit marked A* 88.)—Yes.

3768. So that in December 1864 you must have known of it?—Yes; I must have seen it.

3769. You must have known that he was doing it in December 1864?—I do not remember it; but from that letter I must have known of it. I was sure to see the letter; at least I think so.

3770. In May 1865, about the beginning of the end of all this delusion, a panic came on, did it not?—Yes.

3771. There was a run upon the Bank of Bombay, was not there?—I think that that was in June. I consider that the panic began on the failure of Byramjee Hormusjee Cama, on the 17th of May 1865.

3772. Were the Government directors called upon by the Government to report upon the state of the Bank of Bombay?—I believe that they were; I do not remember whether it was then, or shortly after that.

3773. I suppose that you must have seen the letters in answer to the telegram which was sent?—I did not see the letters of the Government directors.

3774. Do you mean to say that you never saw that letter of the Government directors, dated 30th June 1865, and that you did not furnish the materials for it?—Very likely I furnished the materials. I will read the letter. I do not think that I saw the letter. I did not see the letter afterwards; it was a private letter from Mr. Lushington and Mr. Chapman.

3775. Who told Mr. Chapman and Mr. Lushington of the resolution of the 6th of August 1863?—Very likely I did; I do not remember being asked.

3776. Do you not recollect that you were consulted about that letter?—I was very likely asked to give a copy of the resolution of the 12th of April

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1865, which I see is recorded in this letter, but I do not remember being consulted about the letter in any way.

3777. Did you never see that letter in draft?—I do not think so; I do not remember it, and I think that I should remember it if I had done so; I should not expect to see that letter; it was from Mr. Lushington and Mr. Chapman, who were Government directors.

5778. When the Government directors were called upon to report on the state of affairs, did they institute any inquiry at the bank?—I do not recollect that they did; I should very likely be asked to furnish them with any particulars which they wanted, such as a copy of this resolution.

3779. Were not you called upon to furnish them with an account of the loans outstanding?—I do not recollect ever being called upon to do so.

3780. Where did they get the idea from, that shares were taken "as collateral security"?—I have no idea; it must have been their own opinion.

3781. It is very much like yours in several other documents?—It is very likely—they possibly held the same opinion as I did.

3782. Where did they get the information that "all advances of this description (meaning advances on shares) have for some time past been discontinued"?—It must have been in the bank.

3783. Did not they get that information from you?—Very likely; it is most likely that they did.

3784. Was it true?—Yes, to the best of my recollection.

3785. Had there not been direct advances on shares, not shares taken to secure an antecedent advance, but direct advances on shares in that month and the month before?—I do not recollect them; but if you turn to them I may be able to explain.

3786. We have made a division between those advances on shares which end in loss, and those which do not end in loss. There are four not ending in loss in the months of May and June 1865, and there are others ending in loss.—It must all have been done at the board.

3787. Where did Mr. Lushington and Mr. Chapman get the information that "all advances of this description have for some time past been discontinued," when you were actually doing it at the time?—I could not have given them that information.

3788. Do you think that those gentlemen invented a thing of that kind?—Certainly not; I suppose that they meant that it was generally discontinued, but of course there were exceptions.

3789. You wish us to believe that you did not see this letter in draft, and that you did not furnish this information, that "the above shares were taken as collateral security," and that "all advances of this description have for some time past been discontinued"?—I do not remember ever saying anything of the kind, and to the best of my recollection I did not see the letter in draft. I could not have said that, when the things were done a few days before, and the directors knew it as well as I did; because I think that you will find it all in the minutes.

3790. There was, I believe, a very large amount lying idle in the bank at the time of the resolution of the 12th of April 1865?—Yes; we had large bank balances.

3791. Were you consulted with respect to the other report of the Government directors of the 31st of March 1866?—There was a report sent in by Colonel Marriott, and I read, I think, the most of it.

3792. You did not see the report which was sent in by Messrs. Chapman and Norman on the 31st of March 1866?—I am certain that I did not.

3793. Did you give them the information that in the December crisis of 1865 the bank was at that time in no difficulty as regarded its own affairs?—I should think that I did. I think that both Mr. Hannay and myself looked into the bank's affairs at that time to see our position.

3794. In December 1865?—Yes.

3795. Upon what grounds are you prepared to justify that opinion?—We

were in no danger as to our position. I believe that we could have paid all our depositors.

3796. I ask you whether you could have recovered one fourth of your capital on any day in December 1865?—Certainly not; not one fourth.

3797. And the loans then outstanding, representing nearly all your capital, have never been recovered since?—I believe that they have not been recovered; but in December 1865 we were sanguine; we had got over the worst; at that time there was a great recovery.

3798. Did you ever see the draft of that letter of the 31st of March 1866 before it was sent?—No.

3799. Whom did the Government directors consult about that letter? It is not likely that they would, unaided, have been able to give a detailed statement about the affairs of the bank.—I was very likely asked to furnish figures, because I see that there are statements at the end of the letter which I suppose were prepared in our office. They possibly consulted the chairman of the bank, Mr. Hannay. I think that he was chairman then.

3800. Before they made that report of the 31st of March 1866, did they enter into any minute examination themselves of the affairs of the bank?—There had been repeated examinations, but they did not do it themselves. On the 31st of December 1865, or in January 1866, there was a very careful examination, and the Government directors were present.

3801. They never instituted any inquiry, such as we are now instituting, as to all the outstandings, and so on?—No.

3802. They did not enter into a minute inquiry?—There was a very minute inquiry in the beginning of 1866; early in January.

3803. They say, "Previous to April 1865 loans were granted with an amount of recklessness that appears now to be almost incredible. Not only were credits given to individuals and firms of recognized mercantile position to an extent far in excess of the limit that prudence demanded should be placed on such transactions, but persons, who were not even engaged in any ostensible commercial pursuits, were accommodated with large sums of money, which could only have been required for purposes of share speculation." Nothing can be more correct than that statement; but does not it show that they must have gone very minutely into the affairs of the bank? Where did they get that information from?—It would be from going over the list in January before they prepared that letter.

3804. What list of the outstandings had they before them?—A list which I had prepared every half year showing every loan which was outstanding.

3805. It was not that book which you talked of yesterday?—No.

3806. If they had looked at the book; it would not have shown them the securities?—No; it only showed total amounts. It was a large book. The outstandings were shown in it as in a ledger, with a separate page for every name; it showed that the loan or bill, or whatever it was, was due on a certain date; it showed what had been paid off, and there was a column for the balance.

3807. Did it include the Kalbadevi branch, and all the branches?—I think so. That was the intention.

3808. When was that book begun?—I said yesterday, in the beginning of 1865; but it must have been later.

3809. When was it begun?—I cannot tell you the date.

3810. Was it begun before the latter part of 1865?—Yes; because I distinctly remember Mr. Hannay looking over it.

3811. Did the directors begin to be alarmed in June 1865?—No; I think that Mr. Hannay looked at that book when he came to the bank.

3812. When?—Early in 1865.

3813. By whom was it made?—I cannot tell you.

3814. How long would it take to write up a book of that sort?—A good long time.

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3815. You could not have prepared a book of that kind in less than a month?—I think not, because it was a very large book.

3816. And if Mr. Blair gave the order after he returned from Ajmere, the book never could have been prepared before he left?—It might be so, because I know that Mr. Hannay made complaints to Mr. Blair about some loans in it. He complained about something which had been done.

3817. Do you say that this book was constantly lying before the directors?—It was lying upon a table in the directors' room. The clerk went out when the directors came in.

3818. My colleague, Major Innes, who has more specially taken the account department under his care, has put into my hand a list furnished to him by the Bank of Bombay of every book which was put upon the table at the directors' meetings, under the authority of Mr. Stuart. Where is this book in that list? (*Handing it to the witness.*) It would have saved my friend here the labour of making tabular statements if he could have seen any such book, and he inquired carefully and repeatedly for it?—Latterly the whole thing went into the past due ledger; but this list certainly does not show it.

3819. That was a list prepared in the office, and sent up to us for our guidance.—If you could examine Mr. Hannay, he, I think, would tell you that he had seen that book.

3820. I suppose that the Government directors also saw it?—It was written up, but whether it was completed I cannot say.

3821. If Mr. Blair swore that it was after he came back from Ajmere that he gave the orders for the making of that book, could it possibly have been prepared before he left?—It might have been prepared.

3822. You would have had to collect the information from all the different ledgers as to the cash credits, and the fixed loans, and the discounts, and then you would have had to get the same particulars from the branches. Do you think that that book could possibly have been prepared in that time?—I could not say that it was prepared in that time. I think that I did not pay very much attention to it myself. When I sent out inquiries as to the amount outstanding against any one man, I got it very quickly. I always understood that it came from that book.

3823. I suppose that you furnished the Government directors with the figures in this report as to how the bank had gathered up their resources?—I should think so.

3824. The Governor-General had found fault with them for not gathering up their resources.—That information must have been got from me, although it went through the directors.

3825. I believe that you were one of the parties responsible for the policy of forbearance which was inculcated at that time?—I cannot see how I was responsible.

3826. You consented to it, did you not?—It was my opinion that the policy of forbearance was the best at that time.

3827. Do you remember that in the months of September and October 1865 there was a rise in value of all shares?—Yes. It continued up to the end of the year, I think.

3828. Do you remember Cowasjee Manockjee particularly asking you to realize some of the securities of the bank?—I do. He wrote me a letter.

3829. Is not that his letter? (*Handing Exhibit A* 120 *to the witness.*)—Yes, that is the letter, and this (*Exhibit A* 121) is my answer. He was very urgent, and it was brought on at the following meeting, I think. You will find that there was a resolution recorded.

3830. On the 31st of August the following resolution was passed: "Resolved, That when the securities deposited by parties who have become insolvent reach a price which will cover their debt to the bank, they be sold off."—Yes.

3831. Then I understand you to say that you brought this letter before the board?—Yes. Cowasjee Manockjee was present, and I asked him to bring it before the board.

3832. And the board refused to realize the securities at that time unless they would be sufficient to clear the bank?—Yes; that was the resolution come to. I remember very well that the opinion was that we had got over the worst, that there was a steady improvement, and that we had such a large number of shares that it was impossible to dispose of them.

3833. Might you not have begun by doing it gradually?—The people outside knew as well as we did what shares we held.

3834. Might not another reason be, that a great many of the directors, and yourself, had a great number of shares of their own?—That was not the feeling which I had. Only three directors were present at that meeting, namely, Mr. Lushington, Colonel Ballard, and Cowasjee Manockjee, and I do not think that any of them had any shares except Cowasjee Manockjee himself.

3835. There were no commercial directors present on that day?—No; they would be present on the next day, when these minutes were read.

3836. I suppose that the directors, in their letter of the 31st March 1866, got the figures from you?—They must have done so.

3837. It states that 321 lacs were out at the beginning of the previous half year, that 79 lacs had been realized, and that 116 lacs remained over due?—Yes.

3838. What represented the other 126 lacs?—They were current loans.

3839. They had been renewed?—Yes.

3840. Did it appear that so many were over due, and that the others had been renewed?—I do not know how it appeared. Of course the difference must have been current loans.

3841. You furnished them with those figures, did you?—I have no doubt that I did. I was then secretary, or officiating secretary. They must have gone through me. They were prepared in the office.

3842. I now come to another point which I think must have come from you. The 17th paragraph of the Directors' Report of 31st March 1866 says: "With regard to the examination the Government of India direct should be made into the affairs of the bank, we beg to annex a statement showing the fortnightly position of the bank with respect to assets and liabilities during the year 1865. We beg further to report that the total amount of loans and discounts outstanding on the 30th December at both the head office and branches was rupees 381 lakhs, that out of this rupees 163 lakhs are over due, and that 30 lakhs have, after a careful and impartial scrutiny, been set down as the amount of the probable eventual losses. From the balance sheet, a copy of which is annexed, it will be observed the bank will, after allowing for all losses, and after having paid a half year's dividend at the rate of eight per cent. per annum, be possessed of about three lakhs in excess of its capital."—Yes.

3843. I suppose that they got these figures from you?—They would get the figures from me.

3844. How does it appear in the account annexed to their report that thirty lacs represented the probable loss?—This does not show it at all; this only shows the general statement and the profit and loss account. They gave that from the examination which they had made.

3845. The thirty lacs had been declared to be lost on the 7th of August previous, had they not?—Yes; the directors estimated that the loss would not exceed thirty lacs.

3846. What was done with respect to those thirty lacs as a matter of account?—Do you mean in June 1865?

3847. Yes?—It was kept over. Twenty lacs were kept over to the profit and loss account.

3848. Twenty-two lacs?—Yes. That was the balance of profit and loss.

3849. The probable loss was carried to a suspense account?—Yes; afterwards; we did not declare it as a loss then.

3850. But on the 7th of August 1865 you said, "taking rather an unfavourable view of the liabilities current on the 30th of June last, the directors estimate

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that the losses will not exceed thirty lacs; it is quite possible that the ultimate loss will be much less, so that there is every hope of the shareholders receiving a fair dividend at the end of the current half year." You put that off as a suspense account, did you?—I think that it was left to profit and loss, and that the other was done in the next half year.

3851. The profit of the year was thirty lacs odd?—Yes.

3852. And the reserve fund ten lacs odd, making the sum total forty-one lacs odd?—Yes.

3853. The losses acknowledged were thirty lacs?—Yes.

3854. And the dividend for the half year was 8,36,000 rupees, making 38,36,000 rupees; that would leave 2,88,950 rupees which was all the reserve which you had left. On the very day when you declared this dividend, on the 23rd January 1866, there is the following entry in the minutes: "The balance sheet of the 31st of December, and statement of profit and loss account, were again laid upon the table. Resolved, that a dividend for the past half year be declared on the capital of the bank at the rate of eight per cent. per annum, payable on and after Friday the 26th instant, and that the transfer books be closed from this date until Monday the 29th instant; dividend to be paid to the proprietors on the register at the close of business on this date, Resolved that Messrs. Hannay, Lidderdale, and Stuart be appointed a committee to decide what debts are considered irrecoverable, and they are authorized to debit such to profit and loss account."—Yes.

3855. Was not the result of that that on the 28th of January 1866 they struck off 4,89,000 rupees as irrecoverable?—Yes; as utterly bad; they did not hold any of that as doubtful.

3856. Was not the other sum, which was held in suspense, found to be more than thirty lacs in August 1866?—Yes. A further sum was then written off, thirty lacs and upwards.

3857. Do you not think that it would have been prudent for the directors to have waited for the report of this committee before they declared that dividend?—That committee was only to pick out a few cases which were utterly bad; the statements were again laid on the table; they had been in the meantime going over them for about a week.

3858. Were the 4,89,000 rupees a part of what the directors had assumed the loss to be, namely, thirty lacs?—Yes; it was what these three gentlemen considered irrecoverable, and utterly bad.

3859. Then, when in the August or September following they wrote off thirty lacs, it was in addition to the 4,89,000 rupees already written off?—Yes.

3860. Do you think that it was prudent, even with that explanation, although it might not be taking money out of capital, for them, knowing that such a vast sum of money was outstanding upon debts secured as it was, to have assumed that so much of that capital was safe?—They did not do it until after a long investigation, and they were particularly anxious to pay a dividend on account of the shareholders.

3861. It is most unfortunate to be paying dividends when it is not prudent to do so, because it raises false hopes among the shareholders.—I believe that every director had the interest of the shareholders at heart. Mr. Stuart and Mr. Ryrie were new directors.

3862. Why did Mr. Ryrie retire?—He came out to take charge of his firm in Bombay, and after he got a partner he returned to London.

3863. He was only a director, I think, for two months?—I think that it was six months.

3864. Was he frightened at the state of the bank, and did he retire on that ground?—I am not certain of his reason.

3865. But he never stated that to be the reason?—Certainly not. I do not think that he meant to remain in Bombay.

3866. Looking at the matter as a man of business, do you think that it was wise or prudent, or the conduct of sensible men, to declare a dividend at that time, looking at the way in which all your money was invested?—I think that

it was. The shareholders were the first consideration; but, as you say, it might have raised false hopes.

3867. Perhaps in one sense it might have been an advantage to the shareholders, because if the money had not been paid to them it would probably have been thrown away like the rest; but that is the only way in which I can look at it as a prudent measure.

There was another letter of yours to which I will call your attention, namely, a letter of the 9th of November 1865. Which of the directors were present at the board meeting of that day?—(*Reading from the board minutes*) Mr. Hannay, Mr. Lushington, Colonel Ballard, Mr. Tracey, Mr. Rustomjee, and Mr. Cowasjee Manockjee.

3868. I will read this letter: "The Secretary to Government, Financial Department. Sir,—I have the honour to acknowledge your endorsement No. 922, of 26th October, enclosing copy of a communication from Sir Charles Wood. I am requested by the directors to say, in reply, that it appears to them the Secretary of State has either been much misinformed relative to the transactions of the Bank of Bombay, or else that he has quite misunderstood the information supplied. The Bank of Bombay has never advanced money directly on shares, but during the trying crisis that occurred in the early part of this year the times were so exceptional that the directors considered it prudent, seeing so much money was lent on personal security only, to obtain as much collateral security as possible when granting loans. This was done, and it enabled the bank to assist many of their constituents who possessed shares in sound undertakings and of undoubted value, but required money.

"Upon calmly looking at the circumstances of the past, the directors are of opinion that, had any other course been adopted, the result would have been most disastrous; and had the Government directors not given their consent to the course commented on they would have been responsible for ruin, probably more general and widespread than was ever before seen in any city or commercial community. With reference to the alteration of the charter, this is a matter over which the directors have no control, but seeing that the clause referred to has never been taken advantage of, the directors do not see that any change is either necessary or desirable." Do you recollect that letter?—Yes.

3869. Did you draft it?—No; I think that Mr. Hannay drafted it.

3870. The letter asserts that the Bank of Bombay had never advanced money directly on shares. If you lend money on a promissory note and shares, do not you lend money as directly on the shares as on the promissory note?—You take the shares.

3871. You enter into an agreement to lend money on a promissory note and shares; and what difference does it make by calling it a collateral security; "collateral" only means side by side. You use the words "collateral security" as if it meant a secondary thing to be resorted to in the event of an emergency.—That is the only explanation which I can give of it.

3872. Will you tell us how you would have granted the money directly on shares if you did not do so?—If any one came with a Back Bay share, and said, "I want 25,000 rupees on this share," it would be doing it directly.

3873. I think not more directly than on a promissory note and shares. As I have said before, if you advance money on my furniture and my house, do not you advance money directly on both?—Yes; but if any man came and said, "I want 25,000 rupees on Back Bay shares," if we did not know who he was, then I should say that we were lending directly upon the shares. We looked upon the man; that is the way in which I looked at it.

3874. It seems to me utterly insensible.—That was my opinion at the time.

3875. Some of your transactions, I admit, would bear that construction. If you had lent money on a promissory note, and afterwards became anxious about it, and took the security of shares, then I admit that you did not lend the money directly on shares; but the great majority of these transactions are direct advances on a promissory note and shares.—I can only say what I have said, namely, that the position of the applicant was always considered.

3876. That is a very difficult observation to meet. It is what we have been troubled with all through this inquiry. If we have found fault with people for advancing on shares, they have always said, "There is the applicant."

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If the borrower has been a man who was not worth a shilling except the clothes in which he stood, it has been said, "There are the shares."—I only state my own opinion.

3877. I want to know how you could possibly have written such a letter as this in the face of the resolution of the 12th April 1865—"Resolved, that the secretary be authorized, at his discretion, to advance on the shares of the undernoted companies"?—Yes; but you must take it with the last clause.

3878. "In granting such advances the secretary will in all cases intimate and insert in the bond that should the shares deposited be depreciated in value during the currency of the loans, the security must be increased, or a partial payment made to reduce the debt, one per cent. above regular rate to be charged on such advances, and it is to be distinctly understood that such advances are only to be granted to first-class applicants."—Yes.

3879. Was not this resolution expressly passed to enable the bank to advance on shares?—Yes; but I look at the latter clause.

3880. That is as to the power of the secretary; but I ask you what you meant by writing a letter to the Government saying that the bank never advanced directly on shares, when you had an express resolution passed to enable you to do it, and acted on that resolution?—Yes; but not except to good men.

3881. That is another point. I want to know whether you did not take express authority to advance on shares?—There certainly is a resolution to that effect; but I took that resolution looking at the last clause, and that the applicants ought to be taken into consideration.

3882. So they were, I dare say; but, however good the applicants were, it was still an advance on shares.—That was so.

3883. I want to get some intelligible explanation of such a letter as this.—That is the only explanation which I can give.

3884. Again, how could you possibly say, "but seeing that the clause referred to has never been taken advantage of, the directors do not see that any change is either necessary or desirable"?—In drafting that, Mr. Hannay held the same opinion as I have stated.

3885. Under the old Act how did you advance on Government securities?—By having the Government securities endorsed to the bank.

3886. Had you a promissory note?—No; a bond.

3887. And you had the Government securities deposited?—Yes.

3888. Did you not advance on Government securities then?—Yes; we would advance to anybody on Government securities.

3889. Just the same as you did on shares?—We should not advance to anybody on shares, but we should do so upon Government securities.

3890. The question to which I want you to confine your mind is, whether you advanced directly upon shares or not?—In my opinion we did not.

3891. I now come to the tabular statement which is contained in the Blue Book at page 96. It was sent in on the 23rd November 1866?—Yes; it was, if I remember rightly, asked for by the Goverament of India.

3892. Mr. Francis Chapman had left the direction when that statement was sent in, had he not?—Yes; he left on the 24th of April 1866.

3893. Mr. Lushington was in the direction at that time?—Yes; Mr. Lushington, Mr Norman, and Mr. C. Chapman.

3894. When did you get the orders to prepare that statement?—I do not remember when it was.

3895. Do you remember whether it was in a clean form, with that heading, laid before you? Do you remember the form in which the application came to you at the bank to prepare that statement?—I believe that they sent me a draft form, something like this.

3896. Is that the heading which was put before before you? (*Handing Exhibit marked C 5 to the witness.*)—It was something like this, but to the best of my recollection it was larger than this.

3897. Can you tell me in whose handwriting that is?—No; it is not the handwriting of any of our people in the bank.

3898. Are you quite sure that it is not Mr. Claude Erskine's handwriting? Do you know it?—I do not know it; I do not think that I ever saw it.

3899. You got the headings from some person outside the bank, did you?—Yes; we got them from the Government secretariat.

3900. When did you get them?—I do not remember.

3901. The 24th of October 1866 is the date of the letter (*see Exhibit C* 4.), accompanying the form?—I cannot remember.

3902. Are you quite sure that you did not get an order before that?—I do not remember. I cannot say when we got it. I should think that it would come at the date of the letter.

3903. I want particularly to know whether you got any order before that?—I cannot say, but I should think not.

3904. How came the Government, sending you an order on the 24th of October 1866, to ask you to make a "statement of sums overdue above the amount of three lacs of rupees for which, on the 30th of June 1866, the Bank of Bombay was in advance, by way of discount, loan, or otherwise, exclusive of loans on deposit (to the full value) of Government paper, or guaranteed railway scrip, or imperishable goods"?—The only explanation which I can give of that is, that they would take the 30th of June as being our half-yearly balance.

3905. Would it not have been more important for the Government of India that they should know the state of things at the time when they wrote the letter, instead of four or five months before?—They could have got it just as easily.

3906. With whose assistance was this tabular statement prepared?—It was prepared in the accountant's department.

3907. Mr. Donald Maclean?—He was the accountant. He would possibly not prepare it himself, but he would appoint some one else to do it.

3908. He signed it?—Yes.

3909. You also, as far as we can collect from the evidence in India, had a hand in the preparation of this tabular statement?—Yes; I saw a draft, and I filled in, I think, a statement of probable dividends in the case of insolvent estates; in fact, I am sure of it.

3910. Are you prepared to say that this is a correct, or an ingenuous statement of the affairs of the bank at that time?—I ordered a correct statement of it, and I have no reason to doubt that it is so.

3911. Do you first of all remark the fourth item, the "Eastern Financial Corporation, ten lacs, bill discounted," and, "2,05,442 rupees, cash credit"?—Yes.

3912. If you turn to item No. 16, you will find "Financial Association;" a different name being given to it?—Yes; four lacs and more.

3913. Was not that alteration calculated to give the impression that those advances were made to two different Companies?—I think not; it certainly should have been the same. I forget whether it was "Corporation" or "Association."

3914. Was not that prepared with a view of concealing the fact that 16,20,000 rupees had been advanced to one Corporation?—Certainly not. I distinctly say that. In fact I had not observed that it had been put in that way.

3915. Was not it the natural consequence, whether it was by error or by design, that any one looking at it could not see that 16,20,000 rupees were advanced to one Corporation?—No; they might take it as the same, I think. From this statement people are not any the wiser.

3916. If the name had been the same, it might possibly have been so. It would have been more ingenuous, I think, to have put it under the heading of the "Financial Association," and to have shown that altogether sixteen lacs and more had been advanced to that Corporation.—I am sorry that it was not so done, but there was no design in it.

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3917. The other statements, which we have traced to you, contain similar sorts of little arrangements.—I think that that will be explained to you. I did not prepare this tabular statement.

3918. You were one of the parties responsible. It came from the Bank of Bombay, and you say that you saw it, and added a portion to it?—Yes, but that was a thing which I think I might overlook.

3919. Why was it that the loan to the Asiatic Bank Corporation, which had then resulted in a loss of 19,70,000 rupees to the Bank of Bombay, was omitted?—Not at that time. On the 30th of June 1866 there was no loss upon the Asiatic Bank.

3920. I am coming to that. You did not put in the Asiatic Bank Corporation in that statement, because the Government had limited their inquiry to the 30th of June 1866?—Certainly; I only gave them what they wanted.

3921. You followed the instructions of the heading?—Our clerk did so.

3922. And although at the very moment when you sent in the return the sum of 19,70,000 rupees was due from the Asiatic Bank, you did not think it necessary to put any note or addition to that tabular statement?—I have no doubt that, if that had been done, there would have been a great many others.

3923. But you confined yourself to the terms of the heading, and did not think it necessary to inform the Governor-General of India that the sum of 19,70,000 rupees was due from the Asiatic Bank?—No. I would have given the whole thing if they had asked for it. It was just as easy for the bank officials to have prepared an account up to the time when it was asked for as up to the 30th of June 1866.

3924. It would have been just as easy, but it would not have been quite as favourable an account.—I did not care whether it was as favourable or not. I would have given them a statement from the books.

3925. Why was not Mr. Brown's debt entered in this account?—It was not three lacs.

3926. It was just above three lacs?—Yes.

3927. Why was not it entered in this account?—It had been renewed, I suppose. What was wanted was a statement of sums over due.

3928. Do you mean to say that that is the reason why you excluded Mr. Brown?—I did not exclude any. I told the clerk to prepare a statement according to that heading.

3929. Was not Mr. Brown actually released at that time, namely, in November 1866, when you sent that return?—Yes; his trust deed was certainly signed before that.

3930. But the debt was not wiped out, and Mr. Best and the other parties still remained?—Certainly.

3931. Then I want to know why it was that those loans did not appear in this tabular statement?—I can only tell you that the statement was prepared according to the heading which we got, and that if they had given us any other heading it would have been prepared in that way.

3932. But this would have come under the heading, "Statement of sums over due above the amount of 3,00,000 rupees for which on 30th June 1866 the Bank of Bombay was in advance by way of discount, loan, or otherwise." It was over due, and there was no renewal of any part of it?—The only order which I gave was to prepare the statement as required. I did not say to the clerk, "Keep out this and put in that." I did not tell him to put in one and keep out another.

3933. What did you mean by saying in item nine, "Mercantile Firm?" (That firm was Limjee Manockjee, and Company, and the debt was one of Rs 7,15,000 without security.) "The shares now held," and, under the head of "Collateral securities taken," there are "248 Bank of Bombay" shares?—He sent in the certificates to us. We stopped the transfer.

3934. Do you mean to say that you ever lent money upon Bank of Bombay shares?—No.

3935. Why did not you insert it properly, saying that you had stopped the Bank of Bombay shares, which you were entitled to do? Had you lent the money on those shares?—Certainly not; the shares had only been stopped.

3936. The next item is, "No. 10 Merchant" (that is Premchund). "Fixed loan 9,00,000 Rs., 3,12,000 Rs. over draft." "Over draft will be paid in full." Upon what authority did you make that statement?—I thought that the over draft would be paid by Ritchie, Stewart, and Company.

3937. Do you mean to say that on the 23rd November 1866 you thought that the bank held the guarantee of Ritchie, Stewart, and Company for that over draft?—I thought so; it certainly turned out not to be so.

3938. Shortly after Premchund Roychund's loan in April, was not the question of Ritchie, Stewart, and Company's guarantee raised?—Yes.

3939. Was not it then ascertained that Mr. Tracey's so-called guarantee was nothing but a bit of paper, and no legal security?—It was ascertained what security we had.

3940. Was not it ascertained, by legal opinion, that that guarantee was worth nothing?—Not until long after that.

3941. Was not it within your knowledge and that of the whole Board, long before November 1866, that that guarantee was worth nothing?—No; that was in 1867.

3942. Do you mean that Mr. C. E. Chapman and the others thought all through 1866 that that was a good guarantee of Ritchie, Stewart, and Company?—I think so.

3943. Were not those notes produced within three weeks after Premchund Roychund's loan?—I do not think so.

3944. And was not it ascertained at once that they were not worth the paper upon which they were written?—Not then. I am certain that that was in 1867.

3945. Do you mean to say that on the 23rd of November 1866 you thought that Premchund Roychund would be able to pay that over draft?—No; not Premchund Roychund.

3946. Or that Ritchie, Stewart, and Company would be bound to do it?—I certainly thought so until after Mr. Tracey had left.

3947. Did you not talk to Mr. Tracey, when you were going to Mr. Lidderdale's house, about deducting the amount of that over draft from the 25 lacs lent to Premchund?—When we were going to the house I did. My explanation is on the minutes, and it would assist me very much if I had it.

3948. I am to understand that you distinctly swear that on the 23rd of November 1866 you had no knowledge that the guarantee was worth nothing, and that you thought that Ritchie, Stewart, and Company were still bound to pay that debt?—I did; it was only after Mr. Tracey left that I found out, from Mr. Scott, that they did not know anything about it.

3949. Do you mean to say that you waited all that time to ascertain whether the firm was liable on that guarantee or not? Had not Mr. Chapman challenged you at the board to say whether Ritchie, Stewart, and Company were bound or not?—Yes.

3950. And did not you say then that they were?—Yes.

3951. Was not it shortly after that that Mr. C. E. Chapman obliged you to produce the guarantee?—No; I do not recollect his asking for the guarantee at all; in fact I do not think that he did.

3952. In this tabular statement you surely ought to have put all loans outstanding at the branches, ought you not?—I think that we did so; everything above three lacs. I think that you will find it at the end there.

3953. How was it that Burjorjee Rustomjee's loan of nearly eight lacs was not put in?—I presume that it would not be due; it was very likely renewed again.

3954. You proceeded upon that word "over due"?—Certainly.

3955. And a bill which had been renewed, and renewed for a couple of years, you would not consider over due?—No; if it had been renewed year after

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year it must have been considered good; it would not have been renewed if it was considered bad.

3956. Was not a bill always renewed when you could not get payment?—No; if we thought that the man would never pay we certainly never renewed it.

3957. You never renewed a bill unless it was good; do you really mean to say that?—So far as I recollect that was the rule.

3958. You never renewed the bill if the man could not pay 25 per cent.?—Yes, we did, in special exceptions.

3959. Who was it prepared this heading so ingeniously to shelter the bank?—I do not know. We got it from Government, but I do not think that it was meant to save the bank at all.

3960. It allowed you to treat as good, bills which could not be paid, and which had been renewed for a couple of years?—I must say that the Government before this had the report of an independent committee which they had appointed themselves, and that report, I think, was in September 1866. That committee consisted of Mr. Harrison, the Honourable A. J. Hunter, and Mr. Dinshaw Manockjee, neither of whom had anything to do with the bank.

3961. Was that report sent to the Governor-General of India?—It was sent to the Government of Bombay.

3962. This was a report prepared for the Governor-General of Indja?—I should think that the other went too.

3963. When do you say that Mr. Harrison's report was made?—I think in September 1866.

3964. Davidass Luckmidass and Jumidass had large sums out. Do you mean to say that their bills had been renewed?—I cannot say.

3965. They had certainly more than three lacs?—The clerk was told to go over all the accounts, and to give everything above three lacs.

3966. Why was it necessary for him to go over all the accounts if the book of outstandings, which you talk of, existed?—I do not know where he took it from. I told him to make it up.

3967. How did you manage with Atmaram Madhowjee, a man with about twenty-seven lacs out?—I told the clerk to make it up; it was Mr. Slight, who is now in the new Bank of Bombay, and he was a very good assistant. I told him distinctly, or Mr. Maclean, (very likely it was Mr. Maclean,) to get it made out according to the headings, as the Government wanted it.

3968. Where do Atmaram Madhowjee's debts appear in that account?—Some of them do appear. There is one, I know; "No. 15, private individuals;" they were Taylor, Diver, Atmaram Madhowjee.

3969. That is one of his bills. Why did not you put in all the others?—They would have been put in if they had been over due, I have no doubt.

3970. Do you mean to say that you had been renewing all his bills in 1866, they having been granted in 1864?—I should think so. Some bills were reduced; for instance, the Eastern Financial Association.

3971. I think that there is one case in which you cannot say that you got anything, namely, the Honourable Premabhoy Hemabhoy, who owed 10,45,000 rupees. Why was not he in?—It would not have been due.

3972. It has been renewed, I suppose, like all the others, and you go upon the word "over due"?—I go upon what is the truth.

3973. I ask you whether that tabular statement, which was sent in on the 23rd November 1866, with all the omissions which I have pointed out, was calculated to give the slightest information?—It gave the information to the 30th of June 1866.

3974. Was it calculated to give the slightest information as to the position of the bank?—Certainly not, in November 1866.

3975. Or on the 30th of June 1866?—Yes; I think that it was correct on the 30th of June 1866.

3976. You think that on the 23rd of November 1866 you ought not to have referred at all to the state of affairs then?—I would have given it if it

had been asked for, or any other date fixed upon, just as well as the 30th of June.

3977. But it would not have been so pleasant?—It would have been equally pleasant for me.

3978. It would not have made the affairs of the bank look so well?—I do not think that concealing them made it better; there was certainly no intention of making the affairs of the bank look better than they were.

3979. Why do you put in Sorabjee Jejeebhoy's bills, and not his brother Rustomjee Jejeebhoy's? Sorabjee's amount is eight lacs?—It must have been over due; that is the only thing which I can say.

3980. But they were not more over due than Rustomjee's, because Rustomjee became liable for all his brother's as well as his own?—But Rustomjee's, I suppose, were not over due; Rustomjee's were being renewed.

3981. They must have been in exactly the same category, because Rustomjee became answerable for the whole of them.—Yes, but they were not renewed; we got Rustomjee's renewed.

3982. The last renewal which I have a note of is on the 17th of January 1865, the loan having been granted in July 1864. First of all he had a bill discounted on the 12th of July 1864, and it was renewed upon the 17th of January 1865, for 2,21,000 rupees?—Yes.

3983. Then he had a cash credit on the 15th of December 1865 for 2,10,000 rupees?—Yes; I remember that.

3984. Then on the 11th of April 1866 he had a cash credit for 2,12,000 rupees?—It must have been a renewal; no more money was advanced to him.

3985. It was a renewal; but there was no renewal after January 1865, except a cash credit?—I recollect distinctly the 2,10,000 rupees being granted, and it was for a fortnight, until he could sell his bills.

3986. Were those two bills renewed?—I should think so; one of them was. They must have been renewed after that. Rustomjee was in perfectly good credit then.

3987. I ask you, as a man of business, whether this tabular statement, sent up to the Governor-General of India, was calculated to give him any information as to the position of the bank, and the probabilities of the recovery of the sums above three lacs of rupees, on the 23rd of November 1866?—Not on the 23rd of November, but it would certainly give them our opinion on the 30th of June 1866.

3988. It would give your opinion of what was over due on the 30th of June 1866?—Yes.

3989–99. But it would not give an idea of the bills which had been renewed, and renewed, and renewed again, and which had become dead loans?—No; they ought to have required a full statement of all the outstandings of the bank for that.

4000. We must now turn to another subject. Have you prepared any list of the allotments of shares which you received?—I think that I have a list.

4001. Will you state what they were?—I do not know the order in which I received them, but I got two Back Bay shares allotted.

4002. Did not you get ten more Back Bay shares allotted?—Yes. These ten shares did not belong to me; they belonged to Mr. Gavin Steel. He came to see me one day, and said that he had got ten more shares than he was entitled to as a promoter, and he asked if I would be good enough to take them in my name, and for friends at home. He said that he wanted to sell them, and did not want to appear as having more shares than he was entitled to have, or as selling shares for himself; and he gave me a letter guaranteeing me against any loss in doing so; and, as he was a personal friend of mine, I did not see that I did anything wrong. I put the shares in my own name, and gave him blank transfers there and then; and I believe that they were sold.

4003. Are you quite sure about that?—Certain; and I have no doubt that Mr. Gavin Steel will corroborate what I have said.

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4004. Had not Mr. Hannay an interest in those shares?—Not that I am aware of.

4005. Do you not know that those ten shares were kept for a particular person; neither Mr. Steel nor Mr. Hannay?—I do not know.

4006. Have not you heard, and do not you believe, that those ten shares were kept for somebody else than Mr. Gavin Steel?—Certainly; he told me that they were on behalf of friends in England.

4007. Are you quite sure that he said "friends in England"?—I am almost sure of it. I can get his letter. I have not his letter with me, but I will write for it. I got a letter from him when he saw that it was referred to in Bombay.

4008. Were not those ten shares kept for an official in Bombay?—Not that I know.

4009. Do you not know that they were kept for a person who held an office in Bombay which would not allow him to take those shares?—I do not know. I never heard of it until this moment.

4010. I do not believe that the person ever received them; but that is another question.—I do not know anything more than what I have told you. I believe that what Mr. Steel told me is the truth.

4011. Do you mean to say that Mr. Hannay was not interested in these shares?—I cannot say.

4012. When did you sell these shares?—I never sold them.

4013. Then what Back Bay shares did you sell afterwards?—I did not sell ten Back Bay shares afterwards.

4014. You certainly sold five, to my knowledge.—I gave them over to the Asiatic Bank.

4015. Did not you sell half of these ten shares yourself?—Certainly not. I did not get a single share more than the two allotted to me, except what I purchased.

4016. Do you not know that those ten shares were reserved for General Rivers?—I do not. I never heard of it until this morning.

4017. I do not mean to say that General Rivers ever had them?—I never heard of it before.

4018. Did not the person or persons for whom those shares were reserved refuse to have them?—I do not know. Mr. Steel signed the transfer deeds, and I sent them; and he said that he would hold me harmless from all responsibility with reference to those shares.

4019. When were those transfers used?—I could not say; the registrar of the company could state that.

4020. Are you quite sure that Mr. Hannay had nothing to do with this; did not he speak to you upon the subject?—Never; only Mr. Steel. I had nothing to do with Mr. Hannay upon the subject.

4021. You will swear that the shares were not divided, and half of them sold for your own benefit and half for Mr. Hannay's?—I do not know about Mr. Hannay; but I will swear that I never received a penny benefit on them.

4022. Those were ten shares of the supplemental issue, were they not?—I cannot say what they were.

4023. What was your next allotment?—One Mazagon Reclamation Company's share. I do not know that that is the order in which they came. I sold that share.

4024. At a profit of 8,750 rupees?—Yes; there was also one Frere Company's share which I sold for ten rupees; on which I had paid up more than 4,000 rupees.

4025. When did you sell it?—When I came home. I got 25 shares of the Alliance Financial Association. I sold them at a premium, I forgot what; I think about 40 rupees, but I have had to pay a call upon them since. I had 35 shares in the Financial Association of India and China. I think that I sold them at about 40 rupees premium. I got 25 first, and 10 afterwards, from Mr. Cowasjee Jehangeer. I got 30 shares of the Mercantile Credit

Financial Company, which were sold at about five or six rupees premium, and I had to pay a call of 150 rupees upon them. I had two shares in the Victoria Land Company, and I think that I sold them at 800 rupees a share premium. I had two Port Canning shares, which I hold still. I had one Asiatic Trading Company's share, with 5,000 rupees paid up, upon which I had to pay a call afterwards. I had 20 Bank of Surat shares, upon which I paid 100 rupees. They were sold for 75 rupees per share. I had three Iron Ship Company's shares; they were sold before I came home. I purchased four more. I had 40 Asiatic Bank new shares and 20 old shares. I got the 40 new shares allotted to me through Mr. Hannay, when the new shares came out. I took 10 shares in the Veterinary and Livery Stable Company, which was started for the benefit of Europeans in Bombay. 100 rupees a share was paid up, which was all lost, and I had to pay a call of 30 rupees more. I bought four shares in Treacher & Co., which I still hold; and in the same way five shares in the Omnibus Company; I still hold those. I had 50 shares in the London Asiatic and American Company, through Mr. Hannay, which I still hold. He had charge of the allotment of the shares in India.

4026. To whom did you apply for your two Back Bay shares?—I think that I wrote a letter to Ritchie, Stewart, & Co.; I am not certain.

4027. To whom did you apply for your share in the Mazagon Reclamation Company?—I think that it was to the secretaries and treasurers, whoever they were.

4028. Are you quite sure that you did not apply to Premchund for it?—Very likely I did, but I do not remember, I do not deny, and I do not wish to deny it.

4029. Did not Premchund ask for it for Mr. Robertson, as a friend of his?—I am not certain.

4030. On the 23rd of December 1864, did you not write a letter thanking Premchund for it?—It is very likely.

4031. Were not you an original shareholder in the Asiatic Banking Company, formerly the Bombay Joint Stock Bank?—I do not remember.

4032. Mr. Baker, the assistant manager, tells us so.—Then I must have been so, but I do not remember it.

4033. In your letter (*Exhibit A* 97) you say to Premchund "I am much obliged to you for the Frere share which you have so kindly sent one." He says that he allotted to you the Mazagon share.—He might have done so, but he was not a director then.

4034. How do you justify your taking shares in a rival bank?—I cannot justify it at all. I did not think that I was doing anything wrong in taking them.

4035. You were assistant secretary, and afterwards secretary, to the Bank of Bombay, and were holding shares in a rival bank, and you also gave them your deposit account?—I thought that it was a good investment.

4036. Were not you aware of the clause in the Bank Act that none of the officers of the bank were to enter into any other commercial or trading business?—Whatever the Act was, I did not think that I was infringing it in any way.

4037. Could there have been any sort of business more objectionable than that of a rival bank?—If I had a sum of money, I was entitled to invest it.

4038. You might have invested it elsewhere?—Yes; where I could have got 4 per cent.

4039. Why should you invest it in a rival bank?—I simply invested it because I thought that it was a good thing to do. The Asiatic Bank was not a rival bank; it was an exchange bank.

4040. But that does not prevent its being a rival bank?—They should not do other business, or otherwise the Bank of Bombay would stand very unfairly.

4041. Clause 29 in the Act is, "No person, being or acting as secretary and treasurer, deputy secretary, head accountant, or head shroff of the Bank of Bombay, or as inspector, agent, manager, accountant, shroff, or any other office, at any branch or agency, shall engage in any other banking or

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commercial business, either on his own account or as agent for any other person or persons, or act as broker for the sale or purchase of Government securities." Do you still think that what you did was a right or proper thing?—I did not think that I was infringing that clause.

4042. Supposing that there was no Act of the legislature at all, do you think that as a matter of common propriety it was right in you to take shares in a rival institution in Bombay?—With all the experience which I have had, I might not do it now.

4043. To whom did you apply for the Port Canning shares?—I did not apply for them; I got them.

4044. They were sent to you as a bank manager?—Yes, I suppose so.

4045. It was the practice, whenever new companies were started, to send round shares to all the bank managers in Bombay?—No, I do not think so. I do not think that all the bank managers got them. I think that some of them were rather disappointed that they did not get them.

4046. Premchund Roychund says that they ought to have got them, and that that was an arrangement. You were fortunate enough to get them?—I do not know that I was fortunate, but I got them.

4047. If you had sold, you would have been very fortunate at the time.—I got two Port Canning shares, and I have them still. The next are 25 shares in the Alliance Financial Association. I think that those were sent to me; they were, I think, at 40 rupees premium, but I have have had to pay up the calls. I got 35 shares in the Financial Association of India and China; 25 of these, I think, I got through the Company, and 10 from Mr. Cowasjee Jehangeer; these I think I sold also at about 40 per cent. premium. I got 30 shares in the Mercantile Credit Financial Company through Mr. Mayhew, a barrister in Bombay, and Mr. Ramsden. I was asked to take 200, and I would not take more than 30.

4048. From whom did you get the Iron Ship Company's shares?—I do not know. I think that it was through some of the native directors.

4049. What native director?—I think that it was Venayek Pandoorung. The next two were United Victoria and Colaba shares; they were sold at 800 rupees a share premium. I got these, I think, through either Mr. Limjee Manockjee or Mr. Cowasjee Manockjee. I got one Asiatic Trading Company's share sent to me from Ritchie, Stewart, and Co.

4050. Was it not allotted to you by Premchund?—Mr. Scott was the promoter of the company, or the principal shareholder. There were a great many people connected with it. Possibly Premchund sent it to me. I got 20 Bank of Surat shares from Premchund. I took his opinion as to whether I should take them up or not. As to the three Iron Ship Company's shares, I applied to the Company for them. I applied to the managers of the Company, Messrs. Fulcher, Cooper, and Co.; they were the secretaries and treasurers; it was early in 1863. I think that those were the chief Companies. The Asiatic Bank shares I got through Mr. Hannay. The Veterinary and Livery Stable Company's shares I hold, and the Omnibus Company's shares, and the 50 London Asiatic and American Company's shares.

4051. Did you ever borrow money from Premchund Roychund?—No; but I find, from the evidence taken in Bombay, that there is an account in Premchund's books, which I should like to see.

4052. Did you ever borrow any money from Premchund?—No.

4053. This is a translation of your account in Roychund Deepchund's books (*handing Exhibit Z 2 to the witness*).—I can tell you when it was closed, so far as I had anything to do with it.

4054. It shows that in October 1864 the balance against you was 12,529 rupees. In October 1865 it was 75,240 rupees.—I do not know anything about these balances.

4055. If you look at the items, you will see how they arose.—I do not remember the account, because I find that I am stated to have paid in 31,000 rupees, and I never made any payment to Roychund in my life.

4056. What is your explanation of it?—In 1864 I had several of these shares allotted to me; Back Bay shares, in one particular instance; and I thought I should like to have some shares in the Bank of Bombay. I spoke to Premchund on the matter, and told him this. I said that I should like to sell the Back Bay shares, and to buy ten Bank of Bombay shares, so that I might get the increase of capital, and so get the shares to hold as an investment. He said, "Do not sell your Back Bay shares. I have plenty of shares, and I will give them to you at the present price, if you like, and you can take them upon any day you like." I forgot all about it until June 1865. The shares were then very much lower, and I gave him a list of all the shares, and said, "I want you to sell all my shares. I want to get rid of all shares;" which would even then have given me a very good return. I said, with reference to the Bank of Bombay shares, "They are very much down now, and I want to get out of them." They were then at a par, I believe. He said, "The best thing for you to do is to take so many more to make an average." I consented, telling him that immediately the shares got up up to a certain price I would tell him to hand them over. There was no writing, and no acknowledgment in any way. I never got a share in my possession; and in September or October 1865, when the shares were at about 70 rupees a share, I made a calculation, and found that with some money which he, or rather his nephew, who was conducting business for him, and for whom he was responsible, owed me for shares, I should be clear; and I said to him, "These shares must be handed over at such a price, which clears me the amount." He said, "Do not you want to make any money out of them?" I said "No, I want to get rid of them." He said, "Very well, they shall be handed over;" and the account was made up in that way. I got some shares in the Bombay Reclamation Company. It was in September 1865, when the shares were at 7 or 8 per cent. premium, and I considered them at an end.

4057. The point which we are now considering is your account with Roychund Deepchund.—I do not know anything about that account.

4058. Did he sell any shares for you?—Yes; but whether he put them through that account or not I do not know. I never had anything to do with Bank of Bombay shares, except what I tell you. The whole thing was done through Premchund.

4059. Is not that in fact an account of your dealings with Premchund in the books of his father, Roychund Deepchund?—No; I do not know anything about this payment of 34,000 rupees. I never paid him 34,000 rupees.

4060. You have told us that those shares were to be sold by Premchund?—They were to be handed over, and I had nothing whatever to do with them.

4061. Have you any doubt whatever that that document is a statement of the account between you and Premchund in Roychund Deepchund's books?—I am perfectly certain that I never sold ten Bank of Bombay shares. I was rather considering myself as buying them.

4062. It is very extraordinary that a person who can have no object in attacking you should have in his books (which were got with great trouble from a foreign country) these entries, and that they should be all untrue.—I do not say that it is all untrue. I believe that the debit side, which is against me, is pretty correct.

4063. Then the effect of that would be to make you more largely in debt to Roychund Deepchund than he himself states?—Yes.

4064. Then do you believe that Roychund Deepchund, or any other native with brains in his head, would draw up an account, and give you credit for sums which he had never received?—I should think not.

4065. Then if you admit the debits, I think that as men of sense we shall have very little hesitation in admitting the credits?—I have not admitted all the debits. I have told you my version of it.

4066. Just look over the account; you will see that in the Indian year 1921 you only paid Roychund Deepchund 800 rupees, and there is a balance against you of 75,000 rupees.—Yes, I see that.

4067. Are you prepared in the slightest degree to dispute the accuracy of that account?—I am not prepared to admit it at all.

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4068. Are you prepared to dispute it?—I should think so. I never paid that amount.

4069. But you have admitted that the debts are right?—I do not recollect exactly.

4070. But you have admitted that?—There is a debit against me of 34,000 rupees, paid to the Asiatic Bank.

4071. Is that the same sum debited and credited?—No; one is on the 22nd of February 1865; it is not the same at all. I have told you what my version of the account is; but I am afraid that I cannot give it to you distinctly. I never looked at it as a debt, or anything of the kind.

4072. How did this account with Roychund Deepchund end?—The shares were given over.

4073. Do you mean to say that this account of Roychund Deepchund refers to that transaction?—Yes.

4074. I want to know the exact date of this transaction?—I cannot say; I never kept a note of it.

4075. Was not it in 1864?—Yes; it was before the capital was increased the second time.

4076. That would be at the end of 1864?—Yes.

4077. Had you any other transactions of this sort with Premchund Roychund?—No, not that I remember.

4078. You had no speculation with him or anybody else?—Yes; I had a speculation once with Mr. Morrison of the Asiatic Bank, in Victoria shares and Elphinstone shares.

4079. What was the date of that speculation?—In 1865; and it resulted in a loss of about 15,000 rupees.

4080. Had you no dealings with Roychund Deepchund?—Nothing, except that.

4081. In the ledger there is an entry, "15 shares of the Asiatic Bank, 8,550 Rs."—I do not remember anything about that.

4082. Here is the cash book: "Debited to the account of Mr. Robertson, Bank of Bombay, 15 shares of the Asiatic Bank." They are debited to your account, and credited to the Asiatic Bank shares account.—I do not remember it.

4083. Did not you enter into any speculation in Asiatic Bank shares?—No; excepting the Asiatic Bank shares which I hold still.

4084. Did not Premchund pay the calls upon your Asiatic Bank shares?—No; I paid them myself; the forty and the twenty.

4085. Can you account for this man having an account of this kind?—Certainly not; it is debited with comparatively large sums, and there is a very large credit which I never got, and there is one which is not there which I should have got.

4086. What do you say to this item: "Ten shares of the Bank of Bombay, 34,795 Rs."?—I suppose that those are the ten shares which I refer to. I suppose that he bought them. I did not understand that he bought them at all.

4087. In the cash book there are debited, "10 shares of the Bank of Bombay, 34,975 Rs." The ledger says, on 4th October 1864, "Paid for first call for ten new shares in the Bank of Bombay, 3,000 rupees."—I have no doubt that that would be right.

4088. In the cash book there is entered at page 113, "for stamp fee, four rupees one anna."—I do not know what that is.

4089. That would be the stamp upon the transfer?—They were never transferred to my name; there was never a share in the Bank of Bombay in my name, so that there could be no transfer.

4090. "Balance brought forward from old book, 12,529 Rs.;" and in the cash book, on the 11th of October, there is, "Received on your account from the Asiatic Bank, on the deposit of your 10 shares of the Bank of Bombay,

32,000 Rs." He bought these 10 shares of the Bank of Bombay, and deposited them with the Asiatic Bank?—I never understood that they were deposited in any way.

4091. He deposited your 10 shares with the Asiatic Bank, and raised that money?—I never heard of it until now.

4092. Do you not think that it is a very likely transaction?—It is very likely.

4093. Do you remember this item: "Cash book, 15th October, 2,000 rupees?—No.

4094. Then follows, "Cash book, page 4, 17th November 1864, paid for second call on 10 shares of the Bank of Bombay, 3,000 rupees."—Yes; the calls would be paid as they fell due.

4095. Roychund Deepchund paid those calls for you?—I suppose that that is right enough.

4096. Cash book page 10, 4th January 1865, "Paid for third call on 10 shares in Bank of Bombay, 4,026 rupees."—Yes.

4097. "Cash book, page 14, 22nd February 1865, paid to the Asiatic Bank 34,000 rupees."—I never had any occasion to pay to the Asiatic Bank, except on my own account. It is the first that I have heard of it.

4098. "Cash book, page 24, 2nd July 1865, paid for the purchase of eight shares of the Bank of Bombay 10,400 rupees." Did not you buy eight more?—I bought 15 more, but it was much earlier than July 1865.

4099. They were bought on the 2nd July 1865?—I cannot dispute that.

4100. "Cash Book, 25th July 1865, paid for the purchase of five shares of the Bank of Bombay, 6,500 rupees."—That makes thirteen.

4101. You cannot dispute that?—No; I do not know what the latter is.

4102. "Cash book, page 26, for call on seven new shares of the Asiatic Bank, 175 rupees."—I do not know about that. I paid my own calls.

4103. Had you no new shares in the Asiatic Bank?—Yes, I had 40, and I paid the calls myself. I had 40 new shares and 20 old.

4104. He had bought 15 shares on the 8th of September 1864, which you will see if you refer to his account.—So he says. I would not have had forty more if I had had those.

4105. "Cash book, page 39, for interest, 5,409 r. 10 a. 6 p." That is what he has been out of pocket by you. Those are the items in those two accounts, some of which you appear to admit?—Certainly, I admit some of them.

4106. And considering all the circumstances of the case, I must say that I do not feel very much doubt about the others, although they may have escaped your recollection.—If I knew of them I should not deny them. I have admitted every thing which I know.

4107. Do you recollect Roychund Deepchund having a cash credit account with the Bank of Bombay?—Yes; he had several.

4108. But he had one in existence on the 12th of July 1865?—I think that he had.

4109. Had not Roychund Deepchund deposited Government securities to secure that cash credit?—I do not know which one you refer to; there was a personal one; there was one upon Government paper, and one personal. I remember that very well; it was not so much as a lac, I think.

4110. On the day of which I speak the cash credit was 51,000 rupees; one cash credit was for a lac, and the other was 95,000 rupees. I ask you whether he, or Premchund, did not come to you on the 12th July 1865, and ask you to give up the Government securities deposited to secure that loan?—I believe that one of them did.

4111. Cannot you recollect which it was?—No; I should think that it would be Roychund himself. He could not speak English very well, and he would come with one of the clerks.

4112. What was the state of his account at that time, on the 12th of July 1865? Did not he then owe the bank 51,953 rupees?—I do not remember the sum, but that is likely to be right.

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4113. What did you do upon that application being made to you to give up his securities ?—I believe that I granted it.

4114. Whom did you send with a message to Mr. De Ga to give up his Government securities ?—I do not remember.

4115. Did not you send Cashinath ?—It is very likely ; he would most probably come with Roychund.

4116. We have examined both Mr. De Ga and Cashinath. Did Mr. De Ga as soon as he had that order send you up that memorandum ? (*Handing Exhibit A* 32 *to the witness.*)—Yes.

4117. " Roychund has not paid off his cash credit account. Debtor balance 51,953 rs. 5 a. 9 p. Cashinath wants me to give up his Government notes as stands for security. J. M. De Ga, accountant ? "—Yes.

4118. This is in your handwriting, " Roychund is to pay off the loan ; give up the notes. D. R." ?—Yes.

4119. How can you explain giving up the securities of the bank without payment of that loan ?—So far as I remember, what was said to me was that he had sold the paper, and was to get the money in a day or two, and that he would then pay the loan. He was then in perfectly good credit, and I and other people supposed him to be wealthy. The notes were given up according to my order, which I admit. The loan was not paid off, but I did not know of it until a long time afterwards.

4120. Was not it your duty to obtain the money ?—I was certainly my duty to have seen to it, but I certainly should have expected that Mr. De Ga would have told me that it was not paid off.

4121. But he did tell you. He told you so at that time, and in the face of that you parted with the securities ?—Certainly, that was my order.

4122. How can you defend such an act ?—Because I believe that if we had applied for the money shortly afterwards we should have got it.

4123. Were you in a proper position to protect the bank against the operations of Roychund Deepchund and Premchund Roychund ?—Certainly, I did not consider that I was in the least indebted to them.

4124. After speculating with them ?— If you call it speculation, I admit it.

4125. If they had reported either of those two speculations to the directors, would you not have lost your place ?—I did not think so.

4126. This is just an instance of the consequence of officials putting themselves into this position. Roychund makes a most unheard-of application, that his securities shall be given up, when he has 51,000 rupees outstanding, and it is immediately granted. I have no hesitation in saying that you are personally answerable for that sum.—All that I did was in perfect good faith.

4127. You told Premchund Roychund in September and October 1865 to realise your Bank of Bombay shares in this transaction on the shares rising ?—Yes.

4128. Why did not you exercise the same judgment about the shares held by the bank ?—I wanted to get rid of this, and to have nothing whatever to do with Premchund. I kept my own shares.

4129. Do you recollect an application from Jaivirilall Umiashunker about that time, begging you to sell his shares ?—No ; I remember the man coming, and shedding tears because I spoke of realising his securities.

4130. Jaivirilall Umiashunker says : " After September 1865 a reaction in the value of shares took place. Asiatic Bank shares went up to 60 per cent. premium, and I urged the secretary to sell and pay off the debt. It would have realised the bank debt, and left me a surplus. Mr. Robertson expected a further rise, and he did not realise the securities."—I do not think that you can believe that.

4131. He added, " I made subsequent payments, and reduced the loan of 2,10,000 rupees to 1,45,290 rupees. I protested against the usurious rate of interest, and begged for a reduction to a moderate rate." That was his evidence. —Yes ; but do you think that I should have objected to his selling his shares ?

4132. I do not know. If persons will put themselves into such a position as you did, they must expect to have their motives canvassed and doubted?—If you take that ground, I need not say anything more.

4133. You expose yourself to these remarks by dealing in this way. How did your account stand between you and Roychund Deepchund when you left India; had you any explanation with him?—No; it was closed in 1865.

4134. We sent for that account, and we were told that it had been ended in 1865, and therefore we did not get the books for 1866.—I think that Premchund will admit that himself. Unfortunately for me, I did not put anything in writing, or ask him to do it either, or it could have been produced to show that I did what was fair.

4135. I wish to ask you some questions upon another subject. Who was responsible for refusing the offer made by Venayek Pandoorung for a compromise?—The directors; it came before the directors.

4136. Who advised the refusal of Venayek Pandoorung's offer?—Some of the mercantile directors, who thought that he could pay a great deal more than he offered.

4137. Then there is the case of the Alliance Financial Association; can you tell us who refused their offers?—The directors generally; they thought that they could get a great deal more. They made several offers. At one time they offered us three lacs in cash; they paid us two lacs in cash; the arrangement fell through.

4138. They did pay two lacs?—Yes; they promised to pay three lacs, and there was some other arrangement with reference to further security, and then they were to be released; they did not carry out the arrangement further than paying the two lacs, and then it came to an end.

4139. This is what Mr. Brown says was the transaction. He was asked, "Did you at any time make any inquiry as to the large loans by the bank to the Alliance Financial Association? He replied, "We were very anxious about it at an early date, and we sued, and got judgment against the directors and the company. The result was, that we seized every scrap of property belonging to the company; its shares which appear as security for the debt, and its books, and also a Hindoo temple belonging to a native director. I remember their offer of compromise, when the native directors of the association were in hiding, after the property was attached. They wrote a letter to us. It is on the minutes of the 3rd of April 1866. (*President reads the letter.*) The three native directors, Ghellabhoy Pudumsey, Hurbum Nursey, and Sewjee Welljee, were men of position in the Wania caste. The caste considered that a great indignity, by warrants being out against their head men, and by the proceedings against the temple, and the directors of the bank thought better terms would be offered. On the 12th June 1866 further terms were offered. I thought them very good." Is that your recollection of Mr. Brown's part in the transaction?—No; I do not remember his saying that, but Mr. Brown had better means of knowing the men than any other person there, and also his broker, Kessowjee Naik, who was of their caste.

4140. Mr. Brown continued, "The board did not accede to them. Kessowjee Naik and another member of the caste came very frequently to my office to discuss the terms. I went with them to Mr. Robertson on several occasions, and took some trouble about it. Kessowjee came forward with an ultimatum, and my head clerk wrote it out, and I corrected it, and it was that letter which went before the board. I therefore at the board stated that I should not vote on the proposal. Mr. A. Stewart and Mr. Lidderdale thought the board would get better terms, and the Government directors followed suit." Is that correct?—I think so.

4141. The evidence continues thus: "Mr. A. Stewart thought that the whole debt would be recovered. Hurbum Nursey was hiding in a bungalow of Tricum Velljee, and an official of the Bank of Bombay lived near that house, and saw him, and tried to arrest him, and Hurbum Nursey eluded him, and got away to Damaun, and the other native directors got away also, and all hope of getting better terms was lost."—I think that that is correct.

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4142. Are you quite sure that you got the two lacs which they offered you? —I am certain of it; they offered three lacs; two to be paid down, and the other to be paid in a certain time, and it is upon the minute; but we only got two lacs in cash, and the arrangement fell through.

Adjourned to Thursday the 26th November at 11 o'clock.

Thursday, 26th November 1868.

PRESENT :

President.

SIR CHARLES JACKSON.

Member.

Major McLEOD INNES.

Secretary.

F. D. CHAUNTRELL, Esq.

DONALD ROBERTSON further examined.

4143. (*President.*) I have been again looking over your account with Roychund Deepchund, and I wish to ask you a few more questions about it. You have admitted almost all the items, but there are several items which you did not admit, and I think that there is a very intelligible explanation of it. You told Premchund to buy ten shares of the Bank of Bombay?—Yes.

4144. You did not pay for them?—No.

4145. The following item appears on the credit side: "11th October 1864. Received on your account from the Asiatic Bank, on the deposit of your ten shares of the Bank of Bombay, 32,000 rupees."—Yes.

4146. You may have known nothing at all about that?—No, I did not.

4147. But is it not probable, and have you any doubt, that Roychund Deepchund did not like to be out of pocket, and that he raised money upon those ten Bank of Bombay shares?—He might have done so, but I did not know that the shares were bought.

4148. That does not discredit the account in any way?—No.

4149. He borrowed that money for three months; then at the end of the three months, on the 22nd of February, this item appears, "paid to the Asiatic Bank 34,000 rupees."—That is perfectly possible.

4150. If it had not been so, you would, in the Indian year 1920, have been debited with the cost of those ten Bank of Bombay shares, which you were not?—I never thought that there was any credit or debit in the matter.

4151. I have no doubt whatever that that is the explanation of the transaction, namely, that you told them to buy the shares, and that they did not wish to be out of the purchase money.—I did not wish them to buy them; I thought that they had plenty of shares themselves.

4152. I wish to ask you a few questions upon your account with the Bank of Bombay. You first overdrew your account with the Bank of Bombay on the 4th of July 1864 for two days only?—How much was it?

4153. It was only a small sum?—It is very likely, but I distinctly avoided that.

4154. Look at this copy of your account from the bank ledger (*Exhibit marked Z* 3). On the 29th of July 1864 you received rupees 24,500?—Yes.

4155. Have you any explanation to give of that item?—Yes, I know what that is, at least I am almost certain. Our agent at Ahmedabad had had a Back Bay Share allotted to him. I think that that must have been the case, and it was at 19,000 rupees premium that I sold it; it is debited to my account afterwards; I think that I sold it at 19,000 rupees premium.

4156. On August the 5th 1864, you paid the Bombay Joint Stock Corporation 32,000 rupees?—I think that that is Mr. Wilson's deposit; he was agent of the bank at Ahmedabad. I sold the share which he sent to me as a

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personal friend. There would be a debit to my account of the whole amount, and you will see from the books that it would be credited in the Ahmedabad books on that day.

4157. (*Major Innes.*) Both of them are transfer accounts with Ahmedabad?—The 32,000 rupees.

4158. And the former item?—I think so; I am almost certain of it.

4159. (*President.*) On the 16th of August 1864 you sold 50 shares in the China Bank?—Yes. I do not know whose those were, I think that they were Mr. Wilson's too. I never had a share in the China Bank.

4160. On October 17th you received 32,224 rupees and 7 annas?—I suppose that that was when I sold one of my Back Bay shares, which I had had allotted to me; it must have been that. No, it cannot be that either, because I paid that amount into the Asiatic Bank. These must be all Mr. Wilson's transactions.

4161. Have you any account with Mr. Wilson?—No; you will find that there is a debit of 29,000 rupees on the 21st transferred to the Ahmedabad Branch. All these transactions must have been Mr. Wilson's; I had nobody else's.

4162. On the 11th November 1864 you again overdrew your account and took a loan of 400 rupees to cover the overdrawing, is not that so?—It seems so.

4163. On 19th November there are Rs. 3,000 paid and received, what was that transaction?—I do not remember.

4164. The next item credited is: "25th November 1864. By cheque of Roychund, Rupees 11,750?"—That must have been for the share in the Mazagon Company.

4165. Which you sold to Premchund himself at 8,750 rupees premium—Yes.

4166. On the 27th of December you paid a call on two Frere Reclamation shares of 8,000 rupees?—Yes.

4167. And on that occasion you overdrew the account to the extent of 3,107 R. 9 A. 9 P.?—It is very likely, but I do not remember these overdrawings at all. I told the ledger keeper never to allow me to overdraw my account.

4168. My impression upon looking at the account is that he not only allowed you to overdraw, but that he "fudged" it (as it is called), and did not show that it was overdrawn.—He never said so to me; I distinctly told him never to allow me to overdraw a rupee.

4169. Then on the 28th of December 1864 you put the account straight again by a transfer of rupees 4,000 from the Asiatic Bank?—Yes, I suppose so.

4170. On February the 6th 1865, your account was again slightly overdrawn; and on the 9th it was overdrawn to the extent of 3,352 rupees, is not that so?—I do not remember; I had no occasion to overdraw at that time.

4171. On the same day you put the account in funds again by transferring to your credit from J. Blair's account 7,000 rupees?—Yes, the ledger keeper debited a cheque of Mr. Blair's to my account instead of to Mr. Blair's. I operated upon Mr. Blair's account. There were two cheques of Mr. Blair's debited to my account; that was by mistake. I remember this instance very well. I found that he had debited those checks of Mr. Blair's to my account instead of to Mr. Blair's.

4172. On the 21st of March 1865 you drew out 2,500 rupees and the account became again overdrawn?—The ledger keeper never told me that it was overdrawn.

4173. Did it not continue overdrawn from the 21st of March till 8th April 1865?—No, I am certain that it did not.

4174. On April the 8th 4,600 rupees were paid in, but you overdrew the account on the same day, Rs. 4,400 being taken out, and on the 13th of April there was an overdraft of more than 4,000 rupees?—I made it a special rule never to overdraw my account, I told the ledger keeper so distinctly.

4175. On the 13th of April you paid in two sums of Rs. 6,800?—I know what these two sums were, they were the proceeds of the two Victoria shares which I sold; there was 6,000 rupees paid up, and they were sold at 800 rupees premium.

4176. Again, on the 18th of May your account was overdrawn and continued overdrawn till the 1st of June?—I do not remember it.

4177. On the 1st of June it was put straight again. On the 16th of June it was again overdrawn till the 30th of June?—It should not have been, that is all that I can say, because I had no occasion to overdraw it.

4178. Then comes an item "July 4th 1865, By cheque of J. Blair, 971 r. 2 a. 8 p.", what is that for?—That was a settlement of the House Account, we were both living at the Bank together; that account had been running on for some years, three years I think. It was my own fault, it was not his, that we had not had a settlement.

4179. On March 27th 1866 this item appears, "Received rupees 15,000;" do you remember that item?—I think that that was commission which I got as trustee of Byramjee Hormusjee Cama's estate; the directors gave it to me. I offered it to the Board.

4180. Did they authorize you to become a trustee of that estate?—Yes.

4181. Did they know that you would receive commission upon it?—Yes, I offered them the commission, but as the work was chiefly done in the morning at five o'clock they asked me to accept it.

4182. Then I find on October 6th, "By Burjorjee Rustomjee 1,610 rupees, October 9th, ditto 130 rupees," and December 24th, 4,520 rupees from Burjorjee Rustomjee?—That must have been for some shares I suppose which I had sold; he was a broker. That is not the same man as the Burjorjee Rustomjee who has been before alluded to.

4183. Look at this copy of your Asiatic Bank account (Exhibit Z 4.); was not that account begun on the 15th December 1864 with a cash payment to your credit of 33,750 rupees?—Yes; that was from the sale of Back Bay shares.

4184. That account became overdrawn on the 25th of February 1865, did it not?—It was overdrawn; I forget the date.

4185. The name of Burjorjee Rustomjee continually appears through that account?—Yes.

4186. That is not the cabinet maker?—No; it is a broker.

4187. It is quite clear that you must have been buying and selling shares through this broker to a considerable amount?—Yes. I told you the other day that I had an interest in some shares with Mr. Morrison, and I employed Burjorjee Rustomjee.

4188. And he was your broker in buying and selling shares?—Yes.

4189. You owed to the Asiatic Bank when it stopped 23,157 rupees?—Something like that I think; that is the balance brought down here; it has been settled since.

4190. The other day, when I was examining you upon the tabular statement at page 96 of the Blue Book, you said that you had no doubt on the 23d of November 1866 that the overdraft of three lakhs in item No. 10 would be paid in full. I find that you were right in one respect, namely, that an opinion was taken as to the validity of Mr. Tracey's so-called guarantee after the 23d of November 1866. I ask you again, were you satisfied on the 23d of November 1866 that that overdraft would be paid in full?—I think so; I had no hesitation upon it.

4191. Had you not been called to account before that by the Board?—Yes, at a previous time; I think in May.

4192. That is the guarantee, is it not? (*handing Exhibit* A 98. *to the witness.*)—Yes.

4193. I ask you, whether you, as a man of business, could imagine that this unstamped letter written by Mr. Tracey, not on behalf of his firm, but signed simply "R. L. Tracey," was a guarantee binding Ritchie, Stewart, and Company.

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It is as follows :—" My dear Robertson, With reference to Premchund's over-draft for three lakhs, I guarantee the repayment of the amount before the end of the month. Yours sincerely, R. L. Tracey." As a man of business, could you for one moment suppose that that was a guarantee binding Ritchie, Stewart, and Company ?—I can only refer you to what I wrote to the directors. I believe that Mr. Tracey has left an affidavit which exonerates me in that respect.

4194. Mr. Tracey's affidavit cannot be received.—I hope that you will receive it, as far as I am concerned.

4195. Anything which you have to state on oath we shall receive, but we cannot receive Mr. Tracey's affidavit.—I can only adhere to my statement.

4196. Is this the explanation which you wrote to the directors ?—Yes; that was when I was asked to write it (*Exhibit marked* A 145.) I had given the explanation verbally before that to the directors.

4197. Did not you write this letter to Mr. Tracey on the 22d May 1866 ? (*Exhibit* R 14.)—Yes ; this is my handwriting.

4198. It runs thus :—" My dear Tracey, The Board had under consideration to-day the different advances made to Premchund, and, with reference to the over-draft of three lakhs *which is guaranteed by you*, I have been instructed to inform you that it is the wish of the Board that it should be paid up, or covered by satisfactory convertible security, and as Premchund has done neither, I am requested to ask you for payment, or good collateral security. As Premchund has not furnished the security he promised, when it was arranged that a loan of 25 lakhs would be given him, I regret that the three lakhs cannot be included in that loan."—Yes.

4199. Do you mean to say that on the 22d of May 1866 you thought that Ritchie, Stewart, and Company were bound by a guarantee to the bank or to the directors of it ?—I certainly thought so.

4200. Then why did you apply to Mr. Tracey for payment ?—He was the only partner in the firm then in Bombay.

4201. Was not the credit of Ritchie, Stewart, and Company at that time perfectly unimpeached ?—Yes.

4202. Then why on the 22d of May 1866 should you write to Mr. Tracey that you wanted collateral security, and press him for payment ?—Because he gave me the letter.

4203. But if you thought that that letter bound Ritchie, Stewart, and Company, why were you so anxious to get further security ?—I was told by the directors to do so.

4204. Why were the directors anxious to get further security ?—I do not know ; they did not want to press Ritchie, Stewart, and Company.

4205. Were not they anxious because they thought it a bad security ?—I do not think so.

4206. You say, " The Board had under consideration to-day the different advances made to Premchund, and with reference to the overdraft of three lakhs *which is guaranteed by you*," why did not you say guaranteed by your firm ?—He understood it perfectly well.

4207. Why did not you put it " by your firm " ?—I ought to have put it so.

4208. You say, " I have been instructed to inform you that it is the wish of the Board that it should be paid up, or covered by satisfactory convertible security, and as Premchund has done neither, I am requested to ask *you* for payment " not " Ritchie, Stewart, and Company " ?—It certainly reads in that way, but Mr. Tracey was perfectly conversant with the facts of the whole case ; and I am very sorry that you cannot examine him, because I am sure that he would admit it ; and he did deposit security, or rather Premchund did, which I intimated to the Board the next week, and they were satisfied with it. It was a very large amount ; it turned out very unfortunate.

4209. Was any list of outstandings ever laid before the directors previously to July 1865 ?—No ; at the end of the half year the half-yearly accounts were laid before them. A dividend of 16 per cent. was declared, for instance, at

the beginning of 1865, and before that dividend was declared there was a balance sheet, and a list of loans and credits and of all outstandings.

4210. Are you prepared to contradict Mr. Brown, who says that he never saw any list of the outstandings till July 1865?—I should think that he did not because he did not come in till March or April.

4211. I will now turn to another subject. Do you remember the letter to the Government, dated 9th November 1865, about which I examined you, and in which the bank said that they had "never advanced money directly on shares"?—Yes; I remember the letter.

4212. Did not you say that that letter was written by Mr. Hannay?—I think that it was drafted by Mr. Hannay, and then was submitted to the whole board.

4213. In whose handwriting is that? (*handing to the witness Exhibit marked* A 146.)—That is mine.

4214. Is not that the draft letter?—Yes, but supposing that I wrote it, Mr. Hannay would be with me; very likely I copied Mr. Hannay's draft; I do not know.

4215. Are not those Mr. Hannay's letters? (*handing to the witness Exhibits* A 147, A 148, *and* A 149).—Yes.

4216. One of them is a letter written on the 13th of August 1865, some time before the letter of November 1865, and another is written on the 22d of April 1865. We will take first the one of 22d April; it is as follows: "My "dear Robertson. The policy of the bank at present is to support its constituents. I mean individuals. I would lend to no one on shares." I will read the letter of his of the 13th of August 1865. "My dear Robertson. If money continues to increase upon us we should do something with it, else we won't be able to pay anything like a dividend at the end of the year. Now, were men like Candass Narrondass or Sir Jamsetjee in former times wanting a loan of five lacs, we would have given it them on personal security, and been right. Should these men want such a loan this month, and agree to deposit with you say Back Bay shares for the equivalent at about par, I would grant the loan for three months at once. My opinion is that we should keep as much of our money employed as we can, and taking our present cash and liabilities as a standard, I think we have no need for more than 120 lacs in cash." Is it not clear from those two letters that your then chairman knew that you were advancing on shares; he does not attempt to disguise it?—I see that he says so.

4217. When you drafted that letter with him, did you draw his attention to the fact that he had written such letters?—No; I do not say that it was his doing. I only speak to the best of my recollection, because he generally assisted me in these letters to the government. I do not remember drafting that letter.

4218. Will you look at another letter of Mr. Hannay's on the 4th of September 1865. Is that in his handwriting? (*handing to the witness Exhibit* A 149.)—Yes, that is Mr. Hannay's writing.

4219. I believe that you received a communication from Sir Charles Wood, proposing an alteration in the Charter as to advancing on shares?—Yes; we should receive it from the Government of Bombay.

4220. Is that endorsement in Mr. Hannay's handwriting? (*handing Exhibit* A. 150. *to the witness.*)—Yes.

4221. He wrote upon the Secretary of State's proposal—"We must consider this most tyrannical communication on Thursday next. R.H." Then follow the initials "F. L. L." written by Mr. Lushington?—Yes; he was one of the directors, and "C. M." stands for Cowasjee Manockjee.

4222. We will now turn to Premchund's loan of 25 lacs.—Before you begin upon that, I should like to say that that case is going on, and that two Commissioners are now sitting in London taking evidence, and the case is to be heard in Bombay.

4223. I do not know how the truth can do anybody any injury.—I have been attending the Commissioners, and attending the bank's solicitors here.

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4224. Have they examined you again?—No, they have not examined me, but I have been assisting them; I may be examined.

4225. You have been examined *de bene esse* in Bombay on that subject?—Yes; but I may be examined again.

4226. I believe that on the 26th of April 1865 Mr. MacCulloch called upon you?—Yes.

4227. What passed at that interview?—He told me that Premchund Roychund was in immediate want of a large sum of money, and he said that unless he got it he would have to stop payment.

4228. What Mr. MacCulloch was that?—Mr. H. B. MacCulloch, of the firm of MacCulloch, John, and Company.

4229. Is he in England now?—Yes.

4230. What did you do upon the receipt of that information?—I either went to Mr. Lidderdale, who was chairman then, or he came to the bank, and asked me to see the directors, and to call a special meeting on that afternoon.

4231. Did you go to Premchund?—No.

4232. You relied entirely upon the statement of Mr. MacCulloch?—Yes; he showed me the figures, what money he wanted on that day.

4233. Have you kept that paper?—I think that it is in the High Court of Bombay; it was put in as part of our case I think.

4234. Did you ascertain what the statement of his account with the Bank of Bombay at that moment was?—I forget; it is very likely that I should in order to see what he owed us.

4235. What was the result of your inquiry?—I forget; there were so many lacs of hoondies up country, and that over-draft.

4236. There was first of all an over-draft commencing in April 1865, that was of three lacs?—Yes.

4237. Did you ascertain what the state of his overdrawn account was at that moment?—I should think so, but I do not remember exactly.

4238. On that very day, the 25th of April, the over-draft amounted to five lacs; we have that from the books.—It should not have stood at more than three lacs.

4239. Did you remember that he owed you a fixed loan of five lacs?—Yes.

4240. Did you know that he was jointly liable with Mayhabhoy Premabhoy for four and a half lacs?—Yes.

4241. He had paid one lac shortly before in March, and that debt was therefore reduced to three and a half lacs?—Yes.

4242. Did you know that he had taken the responsibility upon himself of two lacs borrowed in the name of Khuttow Khemjee?—I did not know that.

4243. In point of fact he was then indebted to the bank 19,50,000 rupees, of which 17,50,000 rupees were known to you?—Yes, and to the directors as well.

4244. Had you not also been purchasing bills of his up country?—Yes, hoondies; our agents had been doing so.

4245. To a considerable amount more?—Yes, a very considerable amount more; they were at eight days.

4246. Had you any security for any of these advances at that time except that guarantee of Mr. Tracey for the overdrawn account?—Yes, we had some Back Bay shares against Mayhabhoy Premabhoy's debt; I am almost certain that we had 23 Back Bay shares.

4247. That arose out of the debt of the Imperial Banking and Trading Company?—Yes.

4248. There were two lacs taken by a nephew, and another taken by the Muccadum of the chairman of the Company?—Yes.

4249. They were transferred to Premchund?—Yes.

4251. You could not keep the shares of those men?—I am certain that we did.

4252. The securities were deposited on the 19th of December 1865 by the original borrowers?—I know that they were not given up, because we had them until the last moment.

4253. You appear to be confident about that?—I am certain of it.

4254. At all events there were 19,50,000 rupees due by Premchund, and there were some Back Bay shares as a security for 3,50,000 rupees of that amount?—Yes.

4250. There were securities deposited for the debt of the Muccadum, but they were withdrawn of course when they were discharged?—No; we kept the shares.

4255. No security was given for the rest?—There were Back Bay shares.

4256. How many?—There were 80 altogether, and they were divided. I do not remember whether the claim on Cursetjee Furdoonjee came in or not, it must have been just about that time.

4257. What was the amount of the hoondies purchased up country?—I do not remember now.

4258. Was it eight lacs?—I do not think that they were as much as that, possibly about six lacs.

4259. You sent up eight lacs?—That was afterwards.

4260. Then add the six lacs to the 19,50,000 rupees, and we understand the exact position at that meeting. Who were present at that meeting of the 26th of April 1866?—There were several of our directors. I see that there were present Mr. Lidderdale, Mr. C. E. Chapman, Mr. Norman, Mr. Brown, Mr. Alexander Stewart and Mr. Tracey; there were also present by invitation Mr. Moir of the Oriental Bank, Mr. Campbell of the Mercantile Bank, Mr. Morrison of the Asiatic Bank, and Mr. Thomson of the Hindustan Bank.

4261. Why were those managers summoned?—The directors thought that it would be as well, as Premchund was doing such a large business, that they should be consulted, and take part in any arrangement which might be come to.

4262. Was Mr. Kelly, the bank's solicitor, present?—No.

4263. Nor Premchund?—Nor Premchund.

4264. What passed at that meeting?—*Reads from the minute* "After consultation for some time it was resolved to adjourn the meeting until next morning, and they were invited by Mr. Lidderdale to meet at his bungalow at 7 o'clock a.m."

4265. That tells us nothing; what passed at the meeting?—I forget exactly what passed, I think that they talked about the great necessity of supporting Premchund on account of Bombay.

4266. What was the necessity?—They thought that he was largely connected with almost the whole of the mercantile business of the place, and that there might be a greater crisis if he were allowed to fail than we had ever seen in Bombay.

4267. For what purpose was the meeting adjourned?—To get particulars, I think, of his pressing liabilities, and of the securities which he could give.

4268. Did you tell the directors at that meeting how much was outstanding against Premchund?—I should think that I did but I forget.

4269. It is a very important question; we have the evidence of the directors that you never did tell them?—I do not remember that I did, but I should think that they would ask me.

4270. Did any of them ask you?—I do not remember, but I should think so, because they knew perfectly well that only about two months before they had been going over the list, and they knew what was outstanding, they knew all about these loans.

4271. Was there any discussion?—I think so.

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4272. Was there any difference of opinion?—I think not. I think that they all thought it was desirable to support Premchund if necessary.

4273. Then was not there some other reason why you adjourned, besides that?—I think that they wanted to invite some of the other bank managers.

4274. Was there no question as to security?—I should think so, there would certainly be that.

4275. They also wished to see what security could be given?—Yes.

4276. Why was the meeting adjourned to Mr. Lidderdale's bungalow?—Because they wanted it to be kept as private as possible that Premchund wanted assistance.

4277. Did not you go to the meeting of the 27th April in the same carriage as Mr. Tracey?—No; I lived in the Fort, Mr. Tracey was living within fifty yards of Mr. Lidderdale's house.

4278. How was it that you had a conversation in the carriage with him?—It was not in the carriage; we drove and met Mr. Tracey at his own gate, several of us together.

4279. And then you had a conversation with Mr. Tracey?—Yes.

4280. What was that conversation about?—About the overdraft.

4281. What passed between you?—I asked, to the best of my recollection, whether, if a loan was granted, he wished the amount of the overdraft to be taken out of it, and I think that he said he did not; that there was a large remittance of money coming from Dhollera on behalf of Premchund to his firm, which would be received in a few days, and that it would be paid out of that.

4282. Are you quite sure that he said that he did not wish it?—To the best of my recollection he did not wish it to be deducted.

4283. That is hardly consistent with your letter of the 22d of May 1866, in which you say, "as Premchund has not furnished the security he promised when it was arranged that a loan of 25 lacs would be given him, I regret that the three lacs cannot be included in that loan."—It must have been some after conversation that that referred to.

4284. Then you say that he did not wish it?—No; to the best of my recollection he did not; that is what he said.

4285. Who were present at this second meeting on the 27th of April 1866?—Mr. Lidderdale, Mr. C. E. Chapman, Mr. Norman, Mr. Brown, Mr. Alexander Stewart, and Mr. Tracey; and by invitation, Mr. Moir of the Oriental Bank, Mr. Morrison of the Asiatic Bank, Mr. A. Thomson of the Hindustan Bank, Mr. J. Beattie of the Commercial Bank, Mr. Campbell of the Mercantile Bank, and Mr. Otto Muller of the Comptoir d'Escompte, and Mr. Kelly.

4286. Where did Mr. Kelly sit?—He sat, I think, next to Mr. Lidderdale.

4287. Had he pens and ink before him?—Yes; the table was covered.

4288. Where did you sit?—I did not sit at all.

4289. Where was Premchund?—Outside in the porch.

4290. Tell us what passed at that meeting?—Mr. Lidderdale repeated what he had said on the previous evening, and what had been done, and then there was a general conversation. Mr. Lidderdale had then a list of the securities; a list was eventually got, and they went into the whole matter.

4291. Did not they talk first about the difficulties, whether they were temporary or not?—I think that they did, and that they were supposed to be temporary.

4292. Who informed the board of that fact as to whether the difficulties were temporary or not?—I do not remember.

4293. Did not Mr. Tracey go backwards and forwards to Premchund?—Yes, occasionally; it was very likely to be Mr. Tracey.

4294. And did not you also go backwards and forwards?—Yes.

4295. You, together with Mr. Tracey, were the medium of communication between Premchund and the directors?—Yes.

4296. What did Premchund say to you about his difficulties?—He said to me that he was certain that he would be all right within three months.

4297. What did Mr. Tracey tell the directors?—I do not remember.

4298. Did not he tell them that Premchund had a large sum to receive on the settling-day very shortly, which would relieve him from all difficulties?—I suppose that he referred to the Guzerat money.

4299. Did he say so or not?—I do not remember.

4300. Was there any discussion upon the point as to whether the difficulties were merely temporary, or not?—I think that there was; and that it was the general opinion that they were temporary.

4301. Did the Board of Directors satisfy themselves as to the state of Premchund's affairs?—A statement was put before them, and I think that they were satisfied.

4302. There was a little sheet of note paper scribbled over with a pencil?—No, it was in ink. I saw it. There was something in pencil, but it was not properly his statement.

4303. Did they satisfy themselves as to the state of his affairs?—They seemed to be satisfied with it.

4304. How did they verify that memorandum?—There was no verification of it.

4305. Was Premchund interrogated as to the statements in it?—Very likely. I asked him whether it was a statement of all his liabilities, he said that this was a correct statement of what was due, and the securities given to the different banks.

4306. There was no verification whatever of this statement of Premchund's?—No.

4307. Did the board satisfy themselves in any way that if they advanced this 25 lacs it would save him?—They seemed to be satisfied that it would save him.

4308. On what grounds were they satisfied?—They accepted his statement as correct as to his pressing liabilities.

4309. Did they call him in, and question him about it?—No; they took the statement which he sent in.

4310. I suppose that they must have relied upon the security?—I suppose so. At that meeting I think that it was the general belief that he would be able to redeem the securities, and that there would be no occasion at all for the securities.

4311. What security did he offer?—He offered certain real property.

4312. And jewels?—And jewels. This minute does not give the details of the property.

4313. We will take the land first. What did Premchund state his landed property to be worth?—I think from 18 to 20 lacs. He put in the pencil memorandum to which you refer, showing what he had paid for it, and what he had been offered.

4314. Did not he offer twelve properties as security?—Yes, and on that pencil memorandum he stated what he had been offered for several of the properties.

4315. Did you ask him how he became possessed of that land, whether he bought it at auction, or by private contract?—No; I did not ask him how he had got it.

4316. What did he say that the value of the landed property was?—I cannot state exactly, but I think from 18 to 20 lacs.

4317. Did he not say 23 lacs?—I do not know.

4318. Looking at his books the landed property seems to have cost him, taking over a great deal of it in settlement of accounts, 18,40,185 rupees. How did you verify his statement?—The directors looked at the names of the different properties, and they seemed to be conversant with them, and to

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know them very well, and Mr. Norman, the collector of Bombay, was present, who also knew them.

4319. What did he estimate them at?—I forget, but they cut down Premchund's valuation.

4320. Did not he estimate the land at 14 lacs?—I forget.

4321. He has sworn so. He says, "I think Premchund's valuation was as far as I remember 23 lacs. That is what he said it was worth, but I did not think it was worth more than about 14 lacs, and I did not at the time make any calculations upon paper."—Very likely.

4322. He has since corrected that valuation, and says that he thinks that even then he ought to have valued it at 12,71,000 rupees.—He may have said so in his evidence. I never heard him say so.

4323. Are you aware that the land has been sold for 5,22,000 rupees?—It was not all sold before I left, but very nearly all.

4324. It has been all sold except a small portion of property; are you aware why that was not sold?—No.

4325. Are you not aware that the title deeds were lost in the Bank of Bombay?—No, all the title deeds went to Mr. Kelly's office immediately they were received, and they would not be at the bank. In fact I know that several were lost there, and were not found for some months, and the mortgage which was made out did not contain all the properties.

4326. Was Mr. Kelly, the solicitor, asked at all about the legality of taking land as a security for this advance of 25 lacs of rupees?—Yes, some of the bank managers, I think, said that there might be an objection on that score.

4327. What did Mr. Kelly say?—He said that he thought that it might be got over.

4328. Did he say how?—No; he was the solicitor and it was referred to him.

4329. And they were satisfied with that statement of Mr. Kelly?—Yes; they were apparently satisfied.

4330. Did anybody refer to the words of the Bank Act expressly prohibiting an advance on land?—I do not remember whether anybody did or not, but I think that it was Mr. Lidderdale who made reference to it, or some of the Government directors.

4331. Can you tell me which of them?—No; but I think that a reference was made to that special clause.

4332. And they were satisfied upon that point at once, by Mr. Kelly's statement?—Yes.

4333. What did Premchund value the jewels at?—He said that he thought that they were worth about 20 lacs.

4334. Were the directors satisfied with that valuation?—Yes; I think that Mr. Tracey said something about them, that he knew of them; and I think that some of the others had a knowledge of them also, and they thought them very valuable; but nobody was astonished at it, from Premchund's supposed wealth.

4335. Did you verify his statement?—No.

4336. You took nothing but the statement of Mr. Tracey?—The statements of Mr. Tracey and Premchund.

4337. Did you not know that Mr. Tracey and Premchund were mixed up together at that time?—No. I knew that Premchund was broker, or commission agent, to Mr. Tracey's firm.

4338. Was not Mr. Tracey going backwards and forwards, and making himself very active about this loan?—Yes. I believe that they looked to Mr. Tracey, as he knew more about Premchund's affairs than anybody else.

4339. Premchund said in his evidence that Mr. Tracey was working for him?—Yes.

4340. Did he come back, and give a message from Premchund during that negociation?—Not that I remember.

4341. Do you not recollect his coming back, and saying, that if the directors bothered Premchund in that way, or troubled him so much, (or some such expression) he would rather stop?—I remember hearing that; it must have been Mr. Tracey, I think, who said it.

4342. Premchund did not say so to you?—No.

4343. Did you hear Mr. Tracey say it?—I heard it, and it must have been said by Mr. Tracey. Nobody thought anything of that, it was mere talk on Premchund's part.

4344. I ask you whether Premchund did not say that his jewels were worth from 15 to 20 lacs?—I have said that I thought that he said they were worth about 20 lacs.

4345. He himself says so; and we have other evidence showing that he put the value at from 15 to 20 lacs.—I thought that he said about 20; of course it was what was put down.

4346. Were the Board quite satisfied with this security?—Yes.

4347. Taking the value of the land at 14 lacs, and the value of the jewels at 15 lacs, that would make the security 29 lacs?—Yes.

4348. You had 29 lacs worth of new security and the Back Bay shares to secure to your certain knowledge 17,50,000 rupees, and also two lacs more, which I believe you did not know of until sometime afterwards?—I did not.

4349. Taking only the 17,50,000 rupees and 25 lacs, that made 42,50,000 rupees?—Yes. From the 25 lacs the hoondies were to be taken out.

4350. That was the exact nature of the transaction?—Yes.

4351. In point of fact, what did these jewels realize?—I do not know; they have been sold since I came home.

4352. They were sold for 2,40,000 rupees.—They would have sold for a great deal more than that in Bombay.

4353. I ask you again, whether at this meeting you told the directors how Premchund Roychund's account stood with the bank?—I do not think that I should do so at that meeting.

4354. Did you tell them privately?—I should think so; they knew it perfectly well.

4355. Did any director ask you how the account stood?—I cannot remember that he did.

4356. Mr. C. E. Chapman, in his testimony, has complained that you did not tell him; he said that he had only been a director for two days, and that he was astounded when he found that there was such a large sum due.—The others knew it perfectly well.

4' 57–8. I have no doubt that Mr. Tracey knew it. What was the agreement come to eventually after this discussion?—That the money was to be advanced by the Bank of Bombay, and that the other banks were to pay the Bank of Bombay, when called upon, the amounts which they had agreed to subscribe.

4359. That was the substance of the agreement?—Yes.

4360. Was anything further said?—A promissory note was to be given by Kursondass Madhowdass, Candass Narrondass, Premchund Roychund, and Roychund Deepchund.

4361. Was that agreement reduced to writing?—Not at that time.

3462. Why not?—I thought that Mr. Kelly and Mr. Lidderdale were doing it, and when I asked Mr. Lidderdale afterwards for it, he told me that he had only short notes, and he told me what to write, and I stayed with him till I had finished it.

4363. You were then secretary?—Yes.

4364. Did you take no minute of the meeting?—No; I was going out and in half the time.

4365. What did the solicitor do?—I understood that he and Mr. Lidderdale were keeping a minute, and I asked them to read it over.

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4366. Did they in point of fact take any minute ?—No.

4367. Did Mr. Kelly draw up any agreement there and then ?—No.

4368. Then these bank managers who had agreed to advance each two lacs and upwards towards this object left the room perfectly unbound by any writing ?—They did.

4369. Let me just go over these facts with you again: There was no statement verified as to Premchund Roychund's affairs ?—No.

4370. There was no verification as to his statement that his difficulties were merely temporary ?—No verification, but merely his word.

4371. There was no verification of the value of the jewels ?—No.

4372. There was no verification of the value of the land, except Mr. Norman's rough valuation as collector ?—Yes; and the valuation of some of the other directors who knew it.

4373. I understand you that there was no agreement signed so as to bind the other banks ?—No.

4374. Do you think that you, or the directors, protected the bank properly at that meeting ?—I did as much as I could.

4375. What was that ?—I did what I was told at the meeting; and after the meeting was over I asked for the proceedings, and Mr. Lidderdale told me that none had been written out, but that he would tell me what to write.

4376. You think that you did your duty on that occasion ?—I could not do any more, because I was kept more as a messenger than a secretary at that meeting.

4377. When you found that an agreement was come to, you surely would have suggested, as a man of business, that some memorandum or agreement should be taken down and signed at once ?—I ought to have suggested that.

4378. Was that the way in which business was really done to the amount of a quarter of a million ?—It was certainly unfortunate.

4379. What was Mr. Kelly doing at this meeting ?—He was advising the chairman I think.

4380. I believe that he was ill, was he not ?—He was very ill indeed.

4381. Look at the Board minute of that day, namely, the 27th of April; how did you draw up those minutes of the agreement ?—I drew them up from notes from Mr. Lidderdale, he had the figures on paper. I drew it up in this form.

4382. You drew it up from Mr. Lidderdale's instructions ?—Yes.

4383. When did you add that part about the promissory note ?—It was added in pencil shortly after that; I forgot to put it at first in the minute, except in pencil, and a clerk wrote it in in ink, namely, Mr. Fraser.

4384. When was that put in ?—I forget.

4385. A considerable time afterwards ?—I think so.

4386. When was that minute signed by Mr. Lidderdale ?—I think that it was not signed for some time afterwards. I think that he omitted to sign it.

4387. Why did he omit to sign it ?—I think that when I read it first this part was not in, and then he said, "Get it put in and send me the book."

4388. How was it that you left the minute of a proceeding like that unsigned by the chairman till August 1866 ?—It had been overlooked. The minute was read, and I think that at the next meeting Mr. Lidderdale called special attention to it. When I read it he did not sign it.

4389. Is it not the practice at each meeting that the chairman should sign the minutes of the previous meeting ?—Yes; but I have seen it omitted. Very likely he talked and forgot all about signing it, and shut the book, and went to the next business of the meeting. I remember distinctly that it was read over very carefully, and he called the special attention of the directors to it, to see whether they agreed to what had been written down, and they did.

4390. When were the title deeds deposited ?—I think that day.

4391. When were the jewels deposited ?—About a week afterwards, I think, the first of them.

4392. Some of the jewels were deposited on the 29th, that is to say, the greater portion of them ?—Yes; that would be the Monday.

4393. How much did you advance on the 27th ?—I forget. I think that the first cheque was for two lacs, and that there were eight lacs telegraphed to our up-country agent on that day. I forget whether there was any more, or not.

4394. I think that on the 28th of April (which must have been Tuesday) you wrote this letter (*Exhibit Q*) to Mr. Douglas, one of the managers of the bank, did you not ?—Yes.

4395. You said, "I have got title deeds of landed and house property for which he paid about 18 lacs, and as the most of it was purchased in 1863 and the beginning of 1864 I dare say it might to-day be worth as much. I am to get 20 lacs of jewels to-morrow." That agrees with the testimony of Mr. Fraser, that you got a portion of them on the 29th ?—I suppose so.

4396. Did you rest contented with Mr. Norman's valuation of the land ?—Yes, for a long time; it was valued afterwards.

4397. You did not, I suppose, rest contented with Premchund Roychund's valuation of the jewels ?—No.

4398. Whom did you first call in to value the jewels ?—I forget what his name was.

4399. Was not his name Courvoisier ?—Yes; a member of the firm of Rosselet and Company; but he said that he did not know much about them.

4400. You were not present when he began to value them ?—No; they were valued in a private room at the bank.

4401. With Mr. Fraser ?—Yes.

4402. Do you remember that on that day Mr. Fraser came down and told you something ?—Very possibly he did, but I do not remember.

4403. He said in his evidence, "The jewels were given to me on the 30th April 1866 for the purpose of being valued. All the jewels that ever came into the bank I believe were given to me. A gentleman from Mr. Rosselet's came to examine them. He was a foreigner; he said he had not great experience in such matters. He was a jeweller; that is why he was selected. He left Bombay immediately afterwards. He came to the bank to value the jewels on Tuesday, 1st of May. I returned to Bombay on the 29th April. On the 30th the jewels were given to me, and they were valued on the 1st of May. No one else was present when he examined them. He expressed a not very favourable opinion of their value. I knew that they were reported to be worth not far short of 20 lacs. His opinion was that they were not worth more than 25 or 30 per cent. of the value which I understood them to have. He had only gone over one or two of the jewels, and finding them to be valued at so much less than I expected, I closed the jewel case and went downstairs with a view of telling the directors what this man's opinion was." Did not Mr. Fraser come into the secretary's room ?—I do not remember; it is very likely that he did.

4404. Were not you in that room with Mr. Tracey, Premchund Roychund's friend ?—It is very likely; I do not remember.

4405. Do you not remember Mr. Fraser coming down and telling you that the jewels were of very much less value than had been stated ?—I remember his telling me that Mr. Courvoisier was valuing them very low, but that he said he knew very little about them.

4406. What did Mr. Tracey say ?—I think that Mr. Tracey made the remark that the valuation which Courvoisier was putting on them was absurd, that they had cost a very large sum of money.

4407. The Board of directors were sitting inside, in another room ?—Then I should be with them.

4408. No, Mr. Fraser says that you were outside ?—I forget. What day was it.

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4409. The 1st of May ?—(*After looking at the minutes*) Yes, the Board was sitting on the 1st of May.

4410. Did you, or Mr. Tracey, go in and tell them that the valuation was an erroneous one ?—I did not tell them, at least I do not remember telling them, anything about it.

4411. Did you suggest to them the propriety of a little caution in lending out the money ?—I do not remember that I did.

4412. You did intend to be very cautious I suppose ?—Yes.

4413. I find that in your letter to Mr. Douglas you say, "I am to get 20 lacs of jewels to-morrow. I have only advanced him three lacs cash as yet, but have instructed our Guzerat agents to take hoondies on him to the extent of eight lacs if they have funds. I shan't advance more until I get the jewels and have them valued."—Yes.

4414. On the 1st of May you got a valuation that the jewels were worth very much less than had been stated ?—Yes; I was not satisfied at all with that valuation.

4415. You then called in Mr. Crawford to value them, did you not ?—Yes.

4416. What did he put the valuation of the jewels at ?—I forget.

4417. Three and a half lacs ?—Yes, three lacs and something after they all came in.

4418. What money did you advance, notwithstanding this caution from Mr. Fraser, up to the 9th of May ?—I forget how much.

4419. You went on advancing up to 16½ lacs.—Yes. Anything which I advanced at that time was known to the directors; the president was at the bank every day at this time.

4420. Did you tell Mr. Lidderdale that these jewels were not worth anything like the sum named by Premchund ?—I must have told him what Mr. Courvoisier valued them at.

4421. How came Mr. Lidderdale, in a letter to the Governor, on the 11th of May (*Exhibit marked L* 1), to say that they were worth three or four lacs ?—They were not valued on the 10th.

4422. You had had this warning from Mr. Fraser by that time ?—Yes, from Mr. Courvoisier; at least his opinion. I think that all the directors were of opinion that his valuation was no valuation, and that he did not know anything about them.

4423. Notwithstanding what you said, namely, that you would exercise great caution, and would have the jewels valued, you advanced the money without having them valued ?—Yes, I advanced the money.

4424. You wrote to Mr. Douglas to say: "I shan't advance more until I get the jewels, and have them valued ?"—That must have been my intention at the time.

4425. Why did you depart from that intention and continue advancing money ?—I must have got instructions at the time.

4426. Who gave you those instructions ?—The president was there every day, and very nearly the whole day, and the directors were there.

4427. Did the president know that the jewels were valued by Mr. Courvoisier at that rate ?—He must have have known. There is no valuation in writing.

4428. Did you not tell Mr. Fraser, when he came down, to go back and continue the valuation ?—Yes; to finish them, and to see what he could make of them.

4429. What did Mr. Courvoisier value them at ?—A very small amount, I forget what; in fact he did not value them at as much as one article was considered to be worth.

4430. Courvoisier said in his evidence: "I made a valuation of the whole of the jewels. I was engaged about half an hour in valuing the jewels. The valuation was only a cursory one. I do not remember the exact value of

the jewels, but I think the value was about two or three lacs. I did not take any note of it. The gentleman wrote down the prices. It was between two and three lacs."—He could scarcely look at them all in half an hour.

4431. Was it no caution to you to hear that this gentleman was only valuing them at between two and three lacs?—I did not think that his valuation was worth anything, becanse he himself admitted to Mr. Fraser that he did not know much about it.

4432. You had made up your mind not to advance any more until you had had a valuation, and you had a valuation which put the jewels at between two and three lacs, and yet you did advance more?—Yes it is a fact.

4433. That was very inconsistent conduct on your part.—I must have had other instructions from the directors. I did not advance anything upon that loan without the directors knowing it.

4434. What director told you to advance that money?—I cannot tell you what special director did so, but Mr. Lidderdale was present the greater part of every day at that time.

4435. And he knew of these valuations?—He must have known of them; he had a very high opinion of the jewels himself.

4436. I believe that you were yourself examined in Bombay with regard to these valuations?—Yes.

4437. What did you say that the jewels had been valued at?—I put in Mr. Crawford's valuations; they were there on the table.

4438. You distinctly stated that they had been valued at 15 or 16 lacs of rupees?—No; I said that I had an idea of their value.

4439. I will read what you said in your deposition; you said, "I think we received a box of jewels from Premchund on the 28th. They were brought by his clerk. Other jewels were afterwards received, I took steps to have the jewels valued. I employed Mr. Crawford, the auctioneer. I forget when he came to value them; he was about a fortnight over them. I also got Hurryvullubdass Calliandass, a well-known jewel merchant in Bombay, to look at them, and give me an idea of the value."—Yes.

4440. "He valued them at between 15 and 16 lacs of rupees; he seemed to know the jewels very well. I don't remember when Hurryvullubdass saw the jewels. I think it was in the month of May 1866."—Yes.

4441. Did Hurryvullubdass value those jewels at all?—Yes, he did; he gave me an idea of them as I say there.

4442. You asked him to give you an idea of them, but you state "he valued them at between 15 and 16 lacs of rupees."—He gave me an idea of their value.

4443. You say "he seemed to know the jewels very well."—Certainly he did.

4444. Why did he know those jewels very well?—Because he had, I suppose, very often seen them; he was a very large jeweller. I understood that I might get him to purchase some of them.

4445. Were not you present when Hurryvullubdas was in the room?—Yes.

4446. Did he look at all the jewels?—He did not look at all the small ones as he had seen them.

4447. Did he do more than take up one particular necklace which he had sold to Premchund?—Yes, he took up all the large ones. I handed them to him myself.

4448. Then are you prepared to contradict his testimony on that point. He is a most respectable man; he said in his evidence before us, "I am a jeweller in Bombay, and doing a large business. I was not employed to value the jewels deposited by Premchund with the Bank of Bombay; but on one occasion Premchund took me to the bank. He told me that he wanted me to declare the fact of my having sold him a necklace for Rs. 65,000, and that I had offered to buy it from him again for one lac. I went to the bank with

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Premchund, I saw there two European gentlemen whom I did not know, and whose names I do not know now." I suppose that you were one of them?—I was one of them.

4449. He added, "Two tin boxes were produced, and one of them was opened, and the first thing that was taken out of that box, and shown to me, was the diamond necklace. Premchund asked me, 'Is this the diamond necklace you sold to me for Rs. 65,000, and did you not afterwards offer to buy it of me again for one lac? and did I not decline to sell it to you at that price?' and I said 'Yes.' At that time I had a rich customer, the Guicowar. I was in the habit of getting large prices from the Guicowar, and, therefore, I wanted to buy the necklace back from Premchund. I did not offer to buy it there and then; I had only been anxious to buy it at a previous time. I did not make any valuation of the jewels there. I only valued four wristlets; they were diamond wristlets. I was asked as to the quality of the diamonds, and I said that they were second-class diamonds; and I was asked as to the rough weight of each of them, and I said that each of them would weigh about a carat. I did not make a valuation of the whole of the jewels. I am not able to tell you what they are all worth." Then in answer to me he stated, "If Mr. Robertson, the Secretary of the Bank of Bombay, has said in the deposition given by him in the suit pending between the Bank of Bombay and the Oriental Bank that I valued them at between 15 and 16 lacs, it is untrue." We read him the passage, and he said, "I did not give any such value. I could only identify the necklace which I had sold." Do you continue to say that Hurryvullubdas valued those jewels at between 15 and 16 lacs?—That was the idea which he gave me of the value. I remember that I never asked him about the quality of the jewels, but he says that he was asked, and whether the wristlets were second class, and the weight of them. I never asked him that at all. I just took them, and said "What do you think that is worth?" I took the necklaces, and asked him "What do you think that is worth?" There were a great many large ornaments, and to the best of my recollection, he said between 15 and 16 lacs.

4450. But unfortunately you are contradicted by that gentleman himself?—He would do that I suppose.

4451. He could have no particular object in it?—He told me distinctly there and then that he would come and point them out, and I said that I should be very glad to take some of them up to our agent at Baroda. He came there, as I understood, with the intention of being or getting a purchaser.

4452. If Hurryvullubdass did really tell you that those jewels were worth from 15 to 16 lacs, what steps did you take with respect to Mr. Crawford's valuation?—I did not take any steps at all.

4453. When you found such a great difference you ought to have brought it before the directors in order to have it put on record?—I am almost certain that I told the directors. I thought that this man knew a great deal more than Mr. Crawford could know; it was his trade.

4454. You had a written valuation by Mr. Crawford?—Yes.

4455. If Hurryvullubdass had valued those jewels at from 15 to 16 lacs, would it not have been material to you and the directors to show that they could be valued at that price?—I ought perhaps to have put it in writing; he would not have put it in writing, but would have gone over them more carefully, and I was carried away by him with the idea that they were worth a great deal more than Mr. Crawford's valuation.

4456. Would it not have been material to have had that valuation on record?—I was in hopes that he would be able to sell them for us at the rates which he gave. I believe now that Hurryvullubdass came to me possibly to represent that they were worth a great deal more than they were; it is perfectly possible that he was brought for that purpose, because he never came near me again to ask me to send any of them to the Guicowar.

4457. Did you tell any of the directors the result of the examination of the 4th of May by Mr. Crawford and Mr. Courvoisier?—Yes, I had this report of Mr. Crawford. I must have told them what Mr. Courvoisier said; he did not give any report; it was only verbal.

4458. Did you tell the directors that Hurryvullubdass had valued the jewels at between 15 and 16 lacs?—Yes.

4459. Then how came Mr. Lidderdale to write to the Governor on the 10th or 11th of May, stating that the jewels were worth three or four lacs, and that Premchund said they were worth 10 lacs?—That must have been his own valuation. I imagined that Mr. Lidderdale knew a great deal about it; he was there, and took a great interest in the valuation.

4460. Then he was not likely to make a mistake about it?—No; but they were not valued on the 10th of May; he must have given his own opinion then and nobody else's.

4461. We will now turn to the loan to Dossabhoy Merwanjee and Company. Had they been long in good credit?—I believe so. I did not know anything about them till the application for a loan was made in 1865.

4462. This is a very old entry in the Opinion Book about them: "May 28th, 1841.—He had better remain off the private list." In August 1862 there is the following entry: "Cowasjee Jehangeer says, owing to some cotton purchases, has become very weak." Then on March the 26th, I suppose in a later year: "Hormusjee thinks him good for one lac or so.—Hormusjee was the head shroff of the bank.

4463. There is another entry as follows: "November the 3rd, Premchund considers him good for 40,000 rupees."—Yes; that I suppose is in 1864.

4464. It must have been in 1864, and it is in Mr. Blair's handwriting (*Exhibit* A. 151).—Yes.

4465. When you had an application for an advance was not it your duty to look to that Opinion Book?—No; that Opinion Book had been given up, in fact I never consulted it at all; I thought it far better to get direct information.

4466. You had no discount list to go to?—No; I asked the directors to give me one, and they said that they could not.

4467. On the 24th of February 1865, which was during the time that you acted for Mr. Blair, you discounted a bill of Dossabhoy Merwanjee's for one lac?—Yes, there were two transactions; that was on the minutes, I think.

4468. Do you remember by whom that was recommended?—I do not; I am almost certain that the second one was on the minutes.

4469. Is this the discount slip? (*Handing Exhibit* A. 152. *to the witness.*)—Yes.

4470. Who recommended that to you?—I see that it was recommended by Premchund.

4471. Dossabhoy Merwanjee and Company applied on the 23d of May 1865 for two lacs, did they not?—I thought that it was three lacs.

4472. There was another bill discounted on the 9th of June for a lac. The directors granted three lacs on the 17th of May 1865; you will find by the minutes that on that day the Board sanctioned three lacs.—Yes.

4473. They granted that upon certain terms?—Yes; (*reads from minute*)—"In consideration of the bank's solicitor being satisfied with the security offered, and on the loan at present current being paid, the loan of three lacs may be granted for three months, renewable at the end of that term if urgently required."

4474. The three lacs, I suppose, were represented by those two loans. You were advised to grant three lacs if the solicitor was satisfied. There were two bills, one for two lacs and the other for one lac; no doubt that was the transaction?—Yes.

4475. Who were the directors present at that meeting?—Mr. Hannay, the President, Mr. Lushington, Mr. F. S. Chapman, Mr. Tracey, Mr. Alexander Brown, and Premchund Roychund.

4476. What was the security which they referred to the solicitor on that occasion?—The security was landed property.

4477. That security was given in May 1865, was it not?—Yes.

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4478. Did you take any opinion of the solicitor or anybody else?—Yes.

4479. And did he approve of your advancing money directly on land?—He approved of this loan. I remember very well that the directors on talking about it thought that they were very respectable people, and that on account of having administered to their father's estate they were in difficulties, and that there would be some delay.

4480. This is not only an illegal transaction apparently, but the security was quite insufficient.—It turned out to be so, but it was supposed to be worth a great deal more. I believe that, if we had sold it sooner, we should have got more.

4481. The loss upon these two transactions was 2,10,685 rupees. Was any valuation made of this land?—No, the directors knew it, and they were satisfied that it was worth five or six lacs. It was sold, I believe, for a little over a lac.

4482. Have you not any notion of what the opinion of the solicitor was, have you no recollection of it; was it in writing?—The deeds would be sent to him with a letter, and the letter would be in the letter book, and he would be told why they had been sent; but the very fact of his preparing a mortgage is in favour of the bank.

4483. Besides preparing a mortgage, did he give an opinion?—I think so. At that time I used to keep his opinions in a book, and wrote them in myself.

4484. Do you recollect what his views really were?—I think that his views were that we should advance to Dossabhoy Merwanjee and Company in this way, taking their promissory note, and that he would prepare the deed in such a way as in his opinion to avoid infringing the Act.

4485. You cannot prepare a deed in any way to get rid of facts, can you?—I cannot offer an opinion upon that.

4486. I find that for the third loan on the 9th of June 1865 there was no further security, and, therefore, I suppose that those two loans of the 23d of May and the 9th of June 1865 were treated as one transaction?—I see that there was a meeting on the 8th of June, and that there was nothing done on that day.

4487. I should have thought that if you had had an opinion from the solicitor on such an important point as this, namely, advancing on land, you would have entered it upon the minutes?—I generally entered things in a book kept for the purpose; but it would certainly have been better if it had been upon the minutes. Mr. Kelly was often consulted verbally on matters of business.

4488. Was not it understood after the date of the Government Director's letter of the 30th of June 1865 to the Government, that there were to be no more advances on shares?—I do not think so. I do not remember the particulars.

4489. In a letter dated 23d July 1866 from Sir Bartle Frere and the Government of Bombay (*vide* Blue Book, page 48), they at all events seemed to understand it so. They say, "A bill to amend the present Bombay Bank Charter Act, drafted under the direction of the Government of India, has been submitted for the consideration of the Legislative Council of the Presidency, and will receive their earliest attention. Its enactment will remove the objection taken to the Bank Charter as it now stands" (that is, the power to lend on shares) "though its practical effect will be insignificant, for the restriction it places on the business of the bank has been anticipated in the self-imposed rules under which the direction have acted since April 1865."—Yes.

4490. So that the Government were under the impression, at all events, that the bank had never advanced on shares since April 1865?—I do not remember the cases, but if advances were made after that date it must have been for special reasons.

4491. Then I find that in a letter to the Government of India, signed by Mr. F. S. Chapman (it is mentioned in Sir Charles Wood's letter) he says, "The Government Directors had for some months previously been strictly enjoined to prohibit the making of advances of the kind, so that practically the

object to be attained by legislation had already been secured before the receipt of this letter."—Yes.

4492. Sir Charles Wood was evidently under the impression that such advances had been put a stop to, and that there were to be no more advances on shares.—I think that the bank gave money to several companies and people after that, and found it necessary.

4493. I will take two cases as specimens. Mr. Bendir on the 11th of December 1865 had 10,000 rupees. There has been a loss upon that. Shares were deposited at the time, or afterwards.—I can explain how that loss happened. Mr. Bendir was perfectly good for the amount.

4494. Did you not know in the bank that the lending on shares was to be discontinued after that?—Yes; but that loan to Mr. Bendir was considered to be perfectly good without the shares; and the shares were taken at the time merely as an additional security.

4495. That is the old fallacy; but if you lend upon two securities you lend upon both?—I know that; but it was supposed that he was good without the shares.

4496. In that transaction you were lending just as much on shares as you were before?—I admit that instance.

4497. The next case which I will take is that of Cowasjee Rustomjee Pochajee. On the 15th of August 1865 you lent him 22,000 rupees on shares, and on the 22d of August 1865, 30,000 rupees, and they were afterwards amalgamated into one bill on the 30th November 1865 for 52,000 rupees.—Yes.

4498. That was an advance on shares; shares were taken for that loan?—Yes, I think that the shares were taken because they had other loans, and the directors, I think, wished to give them the money, and thought that they had better take the shares.

4499. If I can read the English language, an understanding was given to the Government that this lending on shares should not be continued?—I do not think that there was any absolute resolution to that effect.

4500. No; but there were the letters of the Government directors which certainly conveyed the understanding.—I presume that the directors would not do so except in special cases.

4501. I will take the Government directors last report; they say, when talking of this subject, "With regard to the future, the only practical difference between the charter granted to this bank and that granted to the Bank of Bengal is that contained in section 32 of Bombay Act 10 of 1863, authorizing advances being made on shares;" (that is a very great mistake) "and we have reason to believe that the directors would have no objection to its being expunged, as for the last ten months this power has never been made use of." They wrote that letter on the 31st of March 1866, after those two advances had been made.—I do not think that they could say that the power had "never been made use of."

4502. Did the Government directors know, as a matter of fact, that notwithstanding their letter to the Government, loans on shares continued to be made?—They must have known it because I think that you will find them all in the minutes; I think that they were all in the minutes.

4503. I do not think that Mr. Bendir's loan is?—Then there must have been a scroll minute about it.

4504. The next case upon which I will ask you is that of De Quadros and De Lima. Who was De Quadros?—De Quadros was an assistant to Ritchie, Stewart, and Company. De Lima I think was his uncle.

4505. On the 1st of September 1865 you discounted for those two persons a bill of 50,000 rupees. You could not have supposed that that was a trading transaction?—I do not know; Mr. De Lima I think was represented to me as a merchant.

4506. That was on the security of shares deposited; they were deposited at the time when the money was advanced?—Yes.

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4507. That bill was renewed again, and was further renewed up to the 11th of April 1866?—Yes.

4508. Again on the 7th of July 1866 it was renewed by the full Board on security being given, and part payment, five Back Bay shares being deposited. —We had further security; we thought it perfectly safe at that time.

4509. Did you consult the directors with regard to the original loan on the 1st of September 1865. I want to know whether the directors did sanction that advance?—I see (*looking at the minutes*) that there was no meeting on the 1st of September 1865.

4510. If it was sanctioned it must have been before; the 1st of September was the date of the advance?—I see that there was a meeting on the 31st of August.

4511. Just see whether you can find his name there.—No, it is not there; it must have been on the very day when it was granted.

4512. Was not that an advance by yourself?—I suppose so; no doubt it was so.

4513. In advancing to a person in the position of De Quadros do you think that it was a legitimate banking operation?—No; I understood that he was very wealthy, but I cannot defend it as a legitimate operation, looking at it now.

4514. The money, I suppose, must have been wanted for the purpose of gambling in shares?—I expect so.

4515. My colleague has just added up the sums advanced on shares after June 1865; there were 27 lacs on which there was no loss.—Those were not fresh advances.

4516. (*Major Innes.*) They were fresh advances, every one of them. We have the books to show that. That statement is made out from the books, and if there is any mistake it can be pointed out.—I see what makes up the large amount, namely, the Asiatic Bank.

4517. (*President.*) We will now take the case of the Asiatic Bank, which is one of the most complicated affairs which we have had to investigate. First of all we will take you through the facts. On the 14th of May 1866 the Board granted a credit of 15 lacs on security?—Yes.

4518. Will you read the Board minute?—(*Witness read as follows*): "Read letter from Mr. Morrison, agent of the Asiatic Bank, requesting a loan of 15 lacs for that Corporation. Read also a list of securities he is prepared to deposit. Resolved, that the credit be granted upon his giving up all the securities stated in the list, and a written guarantee to deposit, immediately on receipt, the bills and Government paper now on the way from Calcutta and China."

4519. Was that Government paper ever deposited?—No.

4520. Why was it not received?—I do not think that it was ever deposited; it says "Government paper now on the way from Calcutta and China."

4521. Did you ever call the attention of the directors to the fact that that Government paper was never deposited?—They called my attention to it almost daily. Mr. Lushington used to speak to me about it every day.

4522. The other securities in the list consisted of bank bills, did they not, namely, Commercial Bank, Oriental Bank, Ritchie, Stewart, and Company, National Bank, and so on, to the amount of 8,38,237 rupees?—That, no doubt, is a copy of the list.

4523. There were also acceptances of McIndoe, Rogers, and Company?—Yes, 8,50,000 rupees.

4524. There were shares also, 75 in the Mofussil Press and Ginning Company, 12 in the Bombay and Bengal Steam Ship Company, 28 in the Apollo Cotton Press Company, and 16 in the Colaba Press Company. Do you remember those?—I do not remember what they were.

4525. As to the 75 shares in the Mofussil Press and Ginning Company, do you know what became of those?—No.

4526. Was not there a heavy call upon them, and did you not refuse to pay the call, and were not they forfeited?—That is very likely.

4527. Then as to the 12 shares in the Bombay and Bengal Ship Company, was not there a heavy call on those?—Yes.

4528. And they were forfeited?—Yes.

4529. Three of those items were never realized?—No.

4530. The balance owing to the Bank of Bombay on the evening before the 14th of May 1866 was 4,36,391 rupees, was it not?—I do not remember.

4531. On the 25th of May 1866 you will find another Board minute; the credit was extended to 20 lacs, was it not, on additional security of 10 lacs, advised by telegram to be on its way from London?—Yes.

4532. That 10 lacs was afterwards realized on the 11th of June 1866, was it not?—Yes.

4533. Can you tell me upon what grounds the Bank of Bombay in May 1866 entered into these large transactions for the purpose of keeping up the Asiatic Bank?—It was the wish to keep up all the banks; it was supposed that the failure of one would lead to the failure of a great many others, and would probably produce a run on the Bank of Bombay.

4534. You had allowed the credit, I think, to exceed 15 lacs on the evening before the 25th of May 1866; it was 15,74,594 rupees?—It looks like it from this (*referring to a copy of the account*).

4535. Will you turn to the Board minute of the 12th of June 1866, and read the entry?—(*Wittness read as follows*): "Read letter from the agent of the Asiatic Bank stating that his Calcutta agent was unexpectedly drawn upon at short sight from China, and requesting that a credit of four lacs might be opened for him with Bank of Bengal by telegram as formerly. Resolved, that the credit be opened on condition that, besides the securities at present deposited with the bank, the agent here will give a lien on all remittances which may be received from England, China, and other branches of the bank."

4536. Was that a credit of four lacs in addition to the 20, or was it four lacs more than the balance then due?—It must have been four lacs in addition to the 20. I think so; I cannot remember at present.

4537. I want to know whether those four lacs were in addition?—I think not. I cannot bring to my recollection precisely what it is.

4538. The words are "besides the securities at present deposited." The securities then deposited consisted only of the remaining bank bills of the National Bank and the Chartered Bank; the others must all have been realized before, and there were the acceptances of McIndoe, Rogers, and Company?—Yes.

4539. On the evening before the 12th of June the balance was 6,35,422 rupees?—Yes.

4540. Will you read the Board minute of the 3d of July 1866 granting three lacs instead of four?—"Reported that the weekly committee had authorized the secretary to telegraph to the Bank of Bengal to advance the Asiatic Bank three lacs of rupees, if necessary, (this amount will be paid back on the arrival of the China mail at Calcutta, as the agent will get five and a half lacs of rupees by it)".

4541. Is that three lacs more than the credit of twenty lacs?—I should think so, because there was to be the additional security of five and a half lacs upon the arrival of the China mail.

4542. How much did you get of that?—I do not remember how much was remitted; I think a very small portion of it.

4543. I think that you got 2,60,000 rupees, about the half of it. What was the balance on the evening of the 12th of July, when that cash credit came to an end?—About 11 or 12 lacs.

4544. The first cash credit terminated on the 13th of July, and a new arrangement was entered into extending the credit until the 1st of September?—Yes, I think so.

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4545. Does not it appear clearly that you never received the Government paper ?—Yes; we never got the Government paper to the best of my recollection.

4546. And that you did not get 2,30,000 rupees of the funds which were to come from China ?—I do not recollect the amounts.

4547. It is proved by Mr. Steel and Mr. Baker ?—I have no doubt that you have the facts.

4548. Before I enter upon the new cash credit, I want to ascertain how the old cash credit terminated. All your good securities were gone except one bill of the Chartered Mercantile Bank, and some shares of the Apollo Press Company; and notwithstanding that, the balance due to you on the evening before was nearly 12 lacs?—Yes, 12 lacs.

4549. Was not it therefore so managed that, the good securities not having been deposited, the Asiatic Bank were in debt to that amount with an insuffi cient security ?—They owed us 11,78,000 rupees, and we had only the security which you have mentioned; I suppose so.

4550. What good security was there, except the Chartered Mercantile Bank bill and the Apollo Press Company's shares ?—There was nothing which could be really called good convertible security.

4551. Do you know what the acceptances of McIndoe, Rogers, and Company really fetched; 8,50,000 rupees of their bills fetched only 63,000 rupees ?—The bills would not fetch much, but the securities against them would fetch considerably more. The securities against them could not have been sold; I think that it was four or five lacs.

4552. Was not that the exact position, that at the end of that cash credit the good securities were gone, and that the Asiatic Bank was in debt to you 12 lacs ?—Yes; I have no doubt that the figures are correct.

4553. How did that state of things arise ?—Because we did not get the security which had been promised to us.

4554. That is your reason ?—That is the principal reason I should think, I do not know of any other.

4555. As you realized every security ought you not to have retired so much of the cash credit against it, and to have reduced the cash credit by that amount, and not to have allowed them to go on drawing ?—Certainly.

4556. Did you do that in the case of this cash credit ?—To the best of my recollection I did. After we found that we could not get the securities which they had promised Mr. Morrison came before the directors again, and we came to a new arrangement.

4557. Was not the position this, that on the 13th of July you would have been glad to take almost any security to secure your 12 lacs ?—No; I do not think that we should have taken any security; we should have taken security, but we did not think that the position of the Asiatic Bank was so bad.

4558. Had you not a warning with regard to trusting to their representations before you entered into this new cash credit ?—Not that I remember.

4559. Had you not been warned by their never having deposited that Government paper, and by the security of five and a half lacs being reduced to 2,60,000 rupees ?—Yes; but the directors were satisfied with Mr. Morrison's explanation why that Government paper had not been got.

4560. Then came a new cash credit of the 13th of July. Just look at the Board minute of that date, and read it.—There is Mr. Morrison's application first, and then the resolution of the Board as follows:—"Resolved that this credit of 20 lacs be continued till 1st September, and that the three lacs due to the bank from B. H. Cama's estate be not drawn until the arrival of the five lacs expected by the trustees from China, on the following conditions: That the agent here give the bank a lien on all remittances from head office and branches, and that the trustees of B. H. Cama give the bank a lien on their expected remittance from China, and that any further securities which the trustees may hand the Asiatic Bank are to be handed to the Bank of Bombay."

4561. Was not the effect of that this,—that a large dividend of B. H. Cama's estate of 3,33,000 rupees was allowed to be retained by the Asiatic Bank, although the Bank of Bombay was entitled to draw it out?—Yes.

4562. I know that no loss has been incurred, but was not it running a very great risk if the Asiatic Bank had failed?—Cama's trustees would have paid that.

4563. You were one of the trustees?—Yes.

4564. I should very much doubt whether you would have been entitled to do so after entering into such an arrangement as this, just to accommodate the Asiatic Bank.—The Asiatic Bank, I suppose, was in that position that unless we had done so we should have had to advance another three lacs, which would have been placing us in just the same position.

4565. What were the securities deposited?—There is first a draft on the Chartered Mercantile Bank of one lac; there is then McIndoe Rogers and Company's promissory note of eight lacs; then the Bombay Coast and River Steam Navigation Company's shares, three lacs; then a lien on funds now on the way from Calcutta, two lacs; then a lien on Java Guilders at Calcutta, and to be remitted to Bombay, three lacs. Then Maud M. Heerjee and Company's promissory note to Premchund Roychund 2,56,000 rupees; then 10½ Apollo Press Company's shares 2,25,000 rupees; then 84 Iron Ship Company's shares, 68,000 rupees; then a bill on B. F. Cama, Son's, and Co., 50,000 rupeees.

4566. The draft on the Chartered Mercantile Bank was realized. McIndoe Rogers and Company's bills for eight lacs realized 63,852 rupees?—It might have been so, but the property could not have been sold, or it would have realized more than that.

4567. The Bombay Coast and River Steam Navigation Company have turned out well. Then the next are a lien on funds now on the way from Calcutta, two lacs; and a lien on Java Guilders at Calcutta, and to be remitted to Bombay, three lacs, that makes five lacs. Did you ever get those five lacs?—I do not think that we did. I do not remember how much we got from Calcutta.

4568. You never got a shilling of that. Did not Mr. Morrison represent to you that he had received a telegram that those were available in Calcutta, and could be drawn for by him?—I think so. I think the amount was seven lacs.

4569. No, it was five or five and a half lacs. Have you read the evidence as to that?—No, I have not seen all the evidence.

4570. Mr. Morrison failed to give you those sums?—I believe that he said that he misinterpreted the telegram.

4571. Did you ask to see the telegram?—I think that we saw it; I could not say for certain that we did see the telegram. I saw some of his telegrams with the transaction above the cipher.

4572. Can you say that you saw this telegram before you acted upon it?—I cannot; I do not know that he said that he had a telegram at the time when he wrote his letter; it must have been after this.

4573. He produced a telegram, and said that he had misunderstood it and had read "pounds" for "dollars."—Yes, that was his explanation.

4574. Have you read the evidence of Mr. Steel, who happened to be the agent in Calcutta of the Asiatic Bank at that time?—Yes; I read his evidence in the newspapers.

4575. Mr. Steel said this: "I can explain Mr. Morrison's statement, that he had been misled by a telegram received from Calcutta, in cipher, as to funds which he expected; it was owing to our code of signals. There was no word in it to represent dollars, and I used the one for pounds instead, and advised 70,000*l.* as coming by the French steamer. In this instance there should have been no mistake, as I told him in the last part of the telegram that he might draw for one and a half lacs; even if he had been misled, the last part of it ought to have corrected him; he was only authorized to draw for one and a half lacs. I had used the same word on former occasions. I do not think that it had ever been misunderstood before." Did the bank directors read that

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telegram or get a translation of it?—I know that we had some of the telegrams. I do not know whether they had seen that one.

4576. At the termination it was said that Mr. Morrison was only to draw for a lac and a half?—They could not have seen that telegram.

4577. Do you think that it was a prudent way of doing business to advance such a large amount without looking at the telegram?—I believe that the directors had perfect confidence that Mr. Morrison was acting in good faith with them.

4578. Had you perfect confidence in Mr. Morrison too?—Yes.

4579. He had deceived you twice before?—On each occasion he was had up by the directors and he gave them explanations with which the directors were satisfied.

4580. M. and M. Heerjee and Company's promissory note for 2,56,000 rupees realized 68,000 rupees, did it not?—There is an attempt being made to make Cowasjee Jehangeer a partner in that firm, and if so it will be paid in full.

4581. The Apollo Press Company's shares were good securities?—Yes.

4582. The Bank of Bombay afterwards insisted upon additional security; they first insisted upon the remittances from the head office and branches?—Yes.

4583. That was already granted to them in a previous cash credit. Was any assignment made of those remittances?—There was an assignment by which Mr. Morrison engaged to give the remittances if they came, but unfortunately they never came except one from London; the dividend from B. H. Cama's estate was realized.

4584. On the 23d of August 1866 by a Board minute it appears that the directors took Mr. Morrison to task for his failure to deposit the security of five lacs, which was the only substantial security?—He offered some additional security (*witness reads from Board minutes*) "To save the Bank of Bombay he offered to give additional security to that already given. Cash on mail day, 23d, two lacs. In Calcutta, proceeds of Government paper and Bank of Bengal shares sent there for sale, $1\frac{1}{2}$ lacs. Stock in trade and goodwill of the business of Rogers and Company, chemists, &c. $3\frac{1}{2}$ lacs. To be received from Shaporjee Dhunjeeboy and Jewajee Manockjee fully secured by property, two lacs. Claims on Cursetjee Furdonjee, eight lacs (estimated dividend of four anas in the rupee), two lacs. Claim against Rustomjee and Sorabjee Jamsetjee Jejeebhoy two lacs. Total 13 lacs." I think that we got something more on some other day.

4585. Were the directors satisfied with Mr. Morrison's explanation as to this telegram?—Yes.

4586. Did they get it deciphered and look at it?—I do not remember whether they did or not.

4587. Is it not clear from Mr. Steel's evidence that, if they had looked at it, they would have seen how grossly they had been deceived?—Yes, if they had looked at the latter part of it.

4588. Of the two lacs cash on the mail day the bank received 1,85,000 rupees.—The difference would be the exchange. Mr. Morrison represented to you that he had sent 1,50,000 rupees worth of Government paper and Bank of Bengal shares for sale; did you ever get the proceeds?—We did not get much at any rate.

4589. Did he tell you that the Government paper was already pledged to the extent of 70,000 rupees?—Not that I remember.

4590. Did he tell you that the balance was already appropriated by the Calcutta agent for liabilities there?—No.

4591. We have examined Mr. Steel about it and he gives us that information. It never was received by the Bank of Bombay?—No; at least, if it was received it must have been a very small part.

4592. Did you get the stock in trade and good will of McIndoe, Rogers, and Company?—Yes; I do not know what that sold for.

4593. It is put down at 3,50,000 rupees, but it has been sold for only 50,446 rupees. Then there is the promissory note of Shapoorjee Dhunjeebhoy and Jewajee Manockjee two lacs ?—That was paid.

4594. There were the claims against Rustomjee and Sorabjee for two lacs, which realized 34,000 rupees, and there was another most extraordinary security which you took, namely, a first lien upon some unraised capital ?—Yes; but we never looked upon that as a security; in fact, Mr. Morrison said that he could not give it without the consent of the head office.

4595. Or of the shareholders. There are several bills; the bill of Dady Nesserwanjee for 10,000 rupees realized 1,455 rupees ?—The property of Dady Nesserwanjee can be realized, because there are only three creditors, and there is a large property; he has been offered 1,60,000 rupees for it, which would give to the creditors nearly eight annas per rupee.

4596. Let us now see what was the effect of granting the second cash credit. You first of all risked the dividend on B. H. Cama's estate. I consider it a very serious risk, although it fortunately did not terminate in loss. Your best item of security was the cash at Calcutta, was it not ?—Yes.

4597. You never got that ?—No.

4598. You relied upon Mr. Morrison's telegram, did you not ?—Yes.

4599. Without looking at it ?—Without looking at it.

4600. And you were deceived ?—We were.

4601. Do you think that Mr. Morrison was deceived ?—From what Mr. Steel says, I do not think that he could be.

4602. This cash credit terminated on the 1st of September 1866 ?—Yes.

4603. Just look at the account on the evening of the 1st of September; the balance due to the Bank of Bombay was 16,52,828 rupees, was it not ?—Yes.

4604. What authority had you for allowing them to go on drawing after that ? There is none in the minutes.—I must have had authority, or I should not have allowed them to go on drawing.

4605. What authority had you to allow them to increase their debt after that ?—It was to be increased to 20 lacs.

4606. But the cash credit was only to be extended to the 1st of September, and you had allowed them to draw 16 lacs and odd, and you allowed them to draw after the 1st September up to nearly 20 lacs. In the next month, when the Asiatic Bank went into liquidation, the debt was 19,66,000 rupees ? —Yes.

4607. What authority had you after the 1st of September to allow them to overdraw ?—We were to give them credit up to 20 lacs.

4608. But they had not availed themselves of it up to the 1st of September; why did you not close the account then ?—I supposed that if they had not taken it they were entitled to it up to 20 lacs.

4609. They were not entitled to it after the 1st of September.—I cannot give an explanation; but I had given orders to the ledger keeper that Mr. Morrison was entitled to draw to the extent of 20 lacs, and I believe that I was justified in doing so.

4610. Did you let the directors know that Mr. Morrison was drawing after the 1st of September ?—I must have done so, because they took particular interest in that account. Mr. Lushington will tell you that he was very often speaking about it.

4611. It resulted in a loss very differently estimated. I believe that there is a dead loss of 3,50,000 rupees, although a great deal has been realized.—It has not all been realized.

4612. Everything has been sold now which is tangible.—But I do not think that they have sold a property which is a very large one; and I know that Mr. Rogers sold that place for 17 lacs of rupees, so that it must have realized more than 60,000 rupees. He did not get the money.

4613. We must now come to another transaction. Do you remember the application of Dossabhoy Dhunjeebhoy in the year 1865 ? Who was Dossabhoy Dhunjeebhoy ?—Premchund's manager.

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4614. On the 27th May 1866 he had 30,000 rupees, and on the 31st August 1865 he had 70,000, making one lac. There is no responsibility resting upon you with regard to those amounts, they were approved by the board; it was to be an advance upon approved security. Those are the words of the minute.—Yes.

4615. No security was lodged at the date of the advance, and not until the 16th of June afterwards.—You very often find that the dates, when they were entered in the security department, were not the dates when the securities were received, as we had a very great press of business.

4616. We have nothing safer than the bank's books to go upon. If the securities were entered as received on a certain day when they had been received before, they would be entered erroneously; will you undertake to say that these securities were deposited before?—No; but in many instances I should say that that was the case.

4617. I want to know how it was that until the 16th of June no securities were deposited for an advance which you made on the 27th of May?—I cannot give you any more information; we should take his promissory note.

4618. Did Premchund make it smooth with you?—No.

4619. Dossabhoy Dhunjeebhoy was Premchund's manager?—Yes; but I considered him a man of some considerable importance.

4620. Did you give him any extra credit because he was Premchund's manager?—No.

4621. Then you lent him 70,000 rupees on the 31st of August on the security of shares which were not deposited till the 6th of September, that just shows how very irregular the practice was.—It was utterly impossible for me to say. I simply saw that a bill was to be taken, and so many shares deposited.

4622. Do you remember his applying to be allowed to sell his 25 Bank of Bombay shares, and five Port Canning's which he deposited as security, and buy Back Bay shares with the proceeds?—I think that I do recollect it

4623. He was allowed to do so?—We took one security instead of the other.

4624. There was no loss upon this transaction, but do you consider that a legitimate operation for a bank to enter into?—I considered, from the position of the Bank of Bombay then, that anything which would improve our position was legitimate.

4625. It was in fact gambling; you entered into a speculation with Dossabhoy Dhunjeebhoy to pay your debt by gambling with the securities which he had lodged with you.—It was not gambling.

4626. In this case I admit you did gain 4,700 rupees.—We knew that there was a certainty of our gaining.

4627. Was not the bank by doing that a party to a speculation in shares; did not the bank directors themselves become a party to it?—No.

4628. Were not the shares to be bought with the view of a rise, by which means the money would be gained?—Yes.

4629. He said, "If you will let me sell those securities and invest them in something else, I shall make such a sum of money as will partly pay you off"?—Yes.

4630. You acceded to that, and let him take out his securities, and invest them in this speculation. I admit that you gained 4,716 rupees, but do you think that a proper transaction?—It would not be so in ordinary times.

4631. But do you think that extraordinary times justify people in doing what is wrong?—I do not think that it was wrong; but it would certainly not be justifiable in an ordinary time; we were just liquidating at the time, and endeavouring to get the best that we could.

4632. There was another similar transaction with Roychund Premchund; you allowed him to do just the same thing?—Yes; but it was unfortunately not so good a time.

4633. You did not lose by it; but I want to know the system, and how you could have allowed it?—I think that those were the only two instances.

4634. Is it not extraordinary that, in the only two instances in which you did, one of the parties was Premchund's manager and the other his father?—No, if anybody else had asked it, I dare say we should have done the same thing.

4635. Are you able to explain why you gave the privilege to these two persons and not to others?—If others had asked for it, and if we had thought that we were more likely to make by it, particularly when we had so many bad debts, we should have done it.

4636. Do you think that that was proper banking?—No, certainly not; in fact we were not banking then.

4637. There are a few more loans which I wish to ask you about; take the case of Gubbay, on the 4th of October 1865 you lent him 2,50,000 rupees?—Yes.

4638. You had no securities at that date; there were 53 United Victoria and Colaba shares deposited in March 1866, and there has been a loss of 53,256 rupees in that transaction; can you explain how you came to grant that cash credit?—No, I cannot.

4639. That is a very large advance, and the bank was then in a very bad way.—We thought that things were getting better then.

4640. You granted it without security?—Yes; I believe that Mr. Gubbay could have got it anywhere.

4641. What has become of Mr. Gubbay, why has he not paid the whole?—I believe that the directors compromised it afterwards.

4642. Hormusjee Cursetjee had two cash credits; on the 28th March 1866 he had 20,600 rupees, on the 15th April 1866, 15,000 rupees; security was deposited on the 28th of March, and there is a loss of 25,000 rupees.—I forget who he was.

4643. The two loans together were only 35,600 rupees, and there is a loss of 25,000 rupees upon them; that was in April 1866, when one would have thought that your eyes were open to the value of every share which you took?—He is not a new man I think.

4644. Those are the only two loans outstanding against him?—But he must have been a customer before; I do not recollect his name at this moment; I know now who he was, he was the son of Cursetjee something; he was a very wealthy man.

4645. You were almost in liquidation at that moment?—Yes; but at the same time we wanted to make as much money as we could in order to pay expenses.

4646. One would have thought that with all your experience at that time you would have taken care to be secure?—I do not think that we could have had a better name in Bombay than that.

4647. You have lost an enormous proportion of that loan?—It is all realized.

4648. Who valued these securities when you took them?—I do not know. I suppose that I should do it myself; I should myself take the market price at that time, because they were not very high then.

4649. I want to know how this enormous loss arose?—The man failed like other people; that is the only reason which I can give.

4650. Do you recollect the Imperial Banking and Trading Company?—Yes.

4651. They had a bill discounted for three lacs on the 28th of March 1865, and another for two lacs on the 30th of March 1865; one lac of that was paid off, and there was a renewal for one lac on the 11th of October 1865. On the 1st of March 1866 they had 2,60,000 rupees.—That would be a renewal too; that was the balance, I think.

4652. You obtained a decree for that amount from the High Court?—Yes.

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4653. You had no security for any one of those advances?—No; but I never granted any of them; it must have been a renewal. I renewed when I got a certain sum down. I took what trouble I could to get it in, and we got a judgment, and thought that it would be paid in full.

4654. There were two bills, one of Doongersey Gopajee, the Muccadum of Merwanjee Framjee Panday, and the other of Dhunjeebhoy Pestonjee, his nephew; the one for 2½ lacs, and the other for 2 lacs?—Yes.

4655. Both these loans were subsequently transferred to the names of Premchund and Mayabhoy Premabhoy, who gave you a promissory note instead?—Yes.

4656. Are you sure that Back Bay shares were deposited on that occasion?—I am certain.

4657. These men had 10 Back Bay shares, but were they transferred?—Yes; I am certain that they were, in fact we had the Back Bay shares till the very last moment when they were sold.

4658. Were these transfers brought before the directors?—Yes, they were brought before Mr. Hannay, I think.

4659. And at this time did he prefer Premchund to the Imperial Banking and Trading Company?—We did not know anything about the Imperial Banking and Trading Company; we only knew that there were two names. I now learn that the transaction was one belonging to the Imperial Banking and Trading Company. We had two names, Dhunjeebhoy Pestonjee, and Doongersey Gopajee.

4660. The loss has been enormous, namely, 2,80,000 rupees. I will now come to the case of Pestonjee Nowrojee Khras, who was he?—He was shroff to Ritchie, Stewart, and Company.

4661. You advanced him on the 18th of April 1865, 25,000 rupees, and on the 26th of August 1865, 50,000 rupees; there has been a loss of more than 40,000 rupees by him.—I do not know that the securitses are realized.

4662. How came you to grant the first advance to him?—I do not remember.

4663. Was not he recommended by Premchund?—Yes, or very likely Mr. Tracey. I do not remember who recommended him.

4664. For the second advance shares were deposited, were they not?—Yes.

4665. Do not you recollect that second transaction of 50,000 rupees; do not you recollect Premchund speaking about it?—No; he might have done so, but I do not remember it.

4666. Do you not remember his saying that he did not want his name mentioned?—No.

4667. Is not that your handwriting (*handing Exhibit* A 112 *to the witness*)?—Yes, I see that I said so.

4668. You said that Premchund did not want his name mentioned?—Yes; I do not know why he did not.

4669. You wrote to Mr. Tracey to ask him about Pestonjee?—I do not know why Premchund said so. I did not know that I had ever written. Mr. Tracey recommended Pestonjee Nowrojee Khras.

4670. It did not excite your curiosity, and you did not ask Premchund why he did not want his name mentioned?—No; I do not remember his saying so to me, but he must have said so, because I have written it.

4671. You recollect the loans to Rustomjee and Sorabjee Jamsetjee Jejeebhoy?—Yes.

4672. Some of those took place in your time?—Yes. I think that I gave two lacs to Rustomjee.

4673. About the 15th December 1865 you advanced him 2,10,000 rupees; how came that to be granted to him? He had become liable for all Sorabjee's loans, 2,12,000 rupees; he was liable to the bank for 12 lacs when you gave him this cash credit?—Yes; I distinctly remember the application being made

to me, and I went to Mr. Hannay with it, and asked him what should be done, (I forget whether Rustomjee was a director of the bank or not); he said that he thought that he ought to be compelled to sell his bills, but that it was perfectly safe to give the money to him.

4674. What was the case which he made?—I think that exchange was bad at the time, and he wanted an advance in the hopes that in a fortnight or three weeks the exchange would improve, and that he would be able to sell on his London correspondents.

4675. Was not a distinct promise given that the amount was to be paid in 17 days?—It was a certain number of days, I think.

4676. Is not that your writing? (*handing Exhibit* A 39. *to the witness.*)—Yes.

4677. "The present is only for 17 days, which will positively expire on the 29th, without let or hindrance. Let him have it. R. H." You acted upon that.—Yes.

4678. Do you not remember that under the old Act there was a distinct prohibition against over-drafts being allowed?—I do not remember whether there was a distinct prohibition or not. I know how that was got over.

4679. Was it ever got over under the old Act?—Yes; it was got over in this way, that a man got a loan instead of over-drawing his account. Say that I wanted 10,000 rupees, they would debit a loan account.

4680. And then they would get security?—No, not immediately.

4681. Not under the old Act?—No; of course it was to very small amounts, but that was the way in which it was done.

4682. It was illegal if there was that system.—I believe that that is also the practice in London.

4683. Did not a regular system of over-drafts spring up in the year 1866?—No, not more than before.

4684. There was also a provision in the original Act 10 of 1863 in the Schedule B. preventing over-drafts, was there not, but which was struck out in the Legislative Council?—I did not know that, but I know that as it was passed there was nothing of that sort in it.

4685. These are all memoranda relating to over-drafts in the year 1866, (*handing Exhibit* A 31. *and* A 32. *to the witness.*)—These are Mr. De Ga's slips. The Asiatic Bank ought never to have been an over-draft, and it ought to have been put in the credit ledger.

4686. Were not there at different times estimates made of the position of the bank?—Yes.

4687. The Government directors in their letter of 31st March 1866 say, We beg further to report that the total amount of loans and discounts outstanding on the 30th December at both the head office and branches was Rs. 381 lakhs, that out of this Rs. 163 lakhs are overdue, and that 30 lakhs have after a careful and impartial scrutiny, been set down as the amount of the probable eventual losses. From the balance sheet, a copy of which is annexed, it will be observed the bank will, after allowing for all losses and after having paid a half year's dividend at the rate of 8 per cent. per annum, be possessed of about three lakhs in excess of its capital," that is to say, assuming the capital to be properly invested. How was that "careful scrutiny" conducted?—I made out a list of all loans and securities, including every rupee which was out at the head office, and the same at the branches.

4688. That was in July 1865?—That was the first list, and the next one was made out in the same way at the end of the next half-year, and each director took it and went carefully over it; they were I think for a week or ten days over it, and each gave his own opinion, and they were very close, they were within two or three lakhs.

4689. Did they examine you about every item?—No, but they looked at the amounts and the security, and considered the position of each man at that time.

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4690. How did they come to a conclusion, supposing that they differed; had they regular meetings to consider the state of the bank?—Yes, three of them I think went over the list and discussed the position of each man.

4691. The Government directors did it?—Yes, and I think that the commercial directors were there.

4692. Did they take the value of the shares at the price at which they were on the 31st of March 1866; or did they take it on the 30th of December previous?—They must have taken it on the 30th of December previous, because there was no valuation on the 30th of March; they proceeded on the previous half year's account.

4693. Then subsequently there was another valuation?—There was a valuation every half-year.

4694. But there was a subsequent valuation by a committee of the bank, was there not, which very much increased the amount?—Yes; by a committee appointed by the Government. The bank directors estimated that all the reserve and profit and loss was gone, about 30 lacs, and also 50 lacs of capital. The Government appointed a committee, and they added 34 lacs to that amount, making 84 lacs of capital, and that report was sent in to the Government.

4695. How did the Government directors' committee value the securities?—At the lowest value of the day.

4696. What did the other committee do?—They took a more unfavourable view of the return of insolvent estates, and also the value put upon some landed property.

4697. What was your opinion of that valuation of 30 lacs on the 30th of December 1865?—As far as I could judge I thought that it was right; we were in a state of great uncertainty as to the previous half year as to how things would turn out.

4698. Were you not awake at that time to the whole rottenness of this share mania?—No, I was not.

4699. Were not the Government directors either at their subsequent valuation?—No.

4700. Did they ever hope that any of those ginning, and spinning, and cotton cleaning companies would turn out well?—They were very good; they were what were wanted, but too many of them were started at one time.

4701. (*Major Innes.*) The report which the committee, consisting of Mr. Harrison and Mr. Hunter and another gentleman, sent in, was less favourable than the other estimate which had been sent in immediately before?—Yes, by 34 lacs.

4702. Was any action taken upon that by the Government of Bombay in the shape of writing to the bank to make inquiries?—No, I do not think that there was any further reference. The report was sent in by the bank to the Government, and I think that there was a letter from the Government afterwards, stating that they thought that the report was satisfactory.

4703. Another estimate was afterwards sent in by the bank to the Government, was there not?—Yes, in the beginning of 1867.

4704. That was still more unfavourable?—Yes; that left, I think, very little more than half the capital.

4705. Was any explanation required from the bank about it?—No; it was proposed that the capital should be reduced one half.

4706. It was accepted?—It was accepted.

4707. Was there no inquiry made as to whether it was not too favourable?—No.

4708. It was accepted without any inquiry after all the mistakes which had been made before?—Yes.

4709. And no letter was received by the bank?—Not that I remember.

4710. With respect to the examination about Premchund, I did not quite catch what you said with reference to the sale of the jewels, when Sir Charles

Jackson said that they had realized 240,000 rupees?—I said that they could have been sold for more, I think, in Bombay.

4711. Do you think so when Bombay was so poor?—Yes; a good many people could have bought jewels.

4712. I thought that the losses in Bombay had been so great that they could hardly have afforded to buy such jewels there?—There was plenty of money in Bombay.

4713. Were you secretary at the time?—No; the jewels have been sold since I came home.

4714. What was the exact meaning of what you wrote to Mr. Tracey when you said that you regretted that the three lacs of over-draft could not be included in the 25 lacs?—I said that I could not put it in then.

4715. Do you know why you could not put it in?—There were other sums which would have exhausted it; there were hoondies in fact falling due.

4716. The explanation which you gave to Mr. Tracey about it was that the securities were not sufficient?—Yes.

4717. Was that the reason, or was it that the sums which you had already authorized Premchund to draw against those 25 lacs would have exhausted the amounts?—There were hoondies falling due, and they would have to be provided for out of that money. It was also partly because I did not think that the security was worth what it was represented to be worth.

4718. It was on that day that as you said the directors had taken up the case?—Yes.

4719. You wrote to Mr. Tracey to say that on that very day the directors had decided to take up the case?—Yes.

4720. Was not it rather late in the day to discuss the question of including those three lacs in the twenty-five to be drawn by Premchund?—The directors never proposed that.

4721. Did you propose it?—No; Mr. Tracey himself asked me to take it out of the 25 lacs.

4722. Was that before the 22d or on the 22d?—I do not know.

4723. What was the relevance of your reply to Mr. Tracey with regard to including the three lacs in the advance of twenty-five, when the advance of the twenty-five had been already exhausted, and the matter had not previously been before the directors?—I should say, "He cannot have it out of the 25 lacs, it is all gone."

4724. What were those 25 lacs made to include?—Our own hoondies, and an additional amount of eight lacs, the payment to the Asiatic Bank, and the payment to the Bank of Hindustan.

4725. What was the payment to the Bank of Hindustan?—I do not know; but that was one of his immediate demands.

4726. Were not the representatives of those banks present?—Yes.

4727. Why should the claims of those banks on Premchund be brought forward for payment out of the 25 lacs any more than the claims of the Bank of Bombay?—I do not know; but they insisted upon the money being paid, and the other banks knew it well enough.

4728. Were these sums, which were to be paid to the Bank of Hindustan and others, sums which were intended to be paid before securities were lodged?—They were included in the immediate requirements.

4729. When you wrote to Mr. Douglas and said that the three lacs were all that you intended to advance until the securities were received, did you intend that these other banks should be paid before the securities were lodged?—No.

4730. Do you know that on the very day of that letter, namely, the 28th of April, you paid five or six lacs to those very banks, making nine lacs as the aggregate sum paid. That is to say, the three which you mentioned and six more, to two of these very banks?—Yes.

4731. Ought those six lacs to have been paid?—Yes; it was an immediate demand.

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4732. Before the securities were lodged?—I had got securities.

4733. Had you got the jewels?—No.

4734. (*President.*) You got the jewels the next day?—Yes.

4735. (*Major Innes.*) The 28th was the day on which you wrote that letter to Mr. Douglas, and on that very day the bank debited Premchund's account with six lacs?—I cannot say.

4736. Those 25 lacs were in no way intended to cover any of the existing debts of Premchund to the bank?—No; except to meet the hoondies as they fell due. At that time, I believe, we considered the other debts perfectly secure.

4737. In the list of the over-dues, beyond three lacs which was sent to the Government, how were the sums owing by different people supposed to be entered. If any person owed more than the identical sum put against him in that list would it be shown anywhere else?—No; that list shows exactly what it is represented to show.

4738. Supposing that there are a good many parties to several bills all mixed up with each other, that for instance four of their names are on one bill and two or three on another, how would it be shown?—The whole amount ought to be shown, I think.

4739. The amount to Premchund is not shown anywhere?—No, it was not over due.

4740. A considerable portion was over due?—All over-dues are there.

4741. Where would the sums be got from?—From the different ledgers.

4742. Supposing that one bill was for two and a half lacs, and another for one and a half lacs, and another for two lacs, each being under three lacs, what certainty was there that a man who owed in that way altogether more than three lacs would be included in that list?—If it was over due it would certainly be so. We had a daily list showing the bills falling due every day.

4743. But when a man's name was on several bills it would not be shown in that way?—Yes it would.

4744. Was it got from the ledger which you have spoken of?—I do not know. Almost every transaction of the bank was over due before Mr. Stuart took charge, and in the new rules to the secretary every renewal had to be read out to the directors by the secretary. There are two books which would show the outstandings against each man, those books are the past due ledger and the register of daily operations.

4745. Would there not be some uncertainty as to including in that list a case where a man owed on several bills, each of which might be under three lacs?—None whatever if it was past due.

4746. Would there be no tendency to pass over each bill which was under three lacs?—None whatever, because there was then a register showing what was past due.

4747. Every single bill in which a man was concerned was not put against that man's name?—Every bill would be. It was not a register requiring to be balanced like a debtor and creditor account.

4748. Then that list would be wrong if it did not include all sums which any man owed, when he owed above three lacs?—Yes, if it was past due.

4749. When a loan or cash credit was past due it was entered, and not merely a bill?—Yes.

4750. The bill to Khuttow Khemjee was not included?—He was only on one bill.

4751. You say that there would be no difficulty in preparing that list?—No; I do not think that the assistant who prepared it found any difficulty at all.

4752. You would be astonished if the whole of the outstandings against Atmaram Madhowjee, which were between 26 and 27 lacs, were not there?—If they were past due they ought to be there.

4753. Take the case of Atmaram Madhowjee, did it show anywhere that that sum of 26 or 27 lacs was outstanding?—I cannot say whether it included them, but it ought to have done so.

4754. How would you know that such a book as that general ledger was right?—I should trust to the assistant, or accountant, in making it up, it was not a book like a general ledger which you had to balance.

4755. And therefore, in order to ensure that it was right, greater care should be taken?—Yes.

4756. What was done in order to ensure that it was right?—A very good assistant looked after it. The only reason which I can give to you why Mr. Stuart did not get it in his time is that everything had gone into the past due ledger.

4757. You had to collect under the name of any party not merely those bills in which his was the principal, but also every bill in which he was a second party. Were these also brought in?—Certainly.

4758. When a man was in a transaction with Diver and others, would it be entered against his name?—I should think so; it ought to be. In making the statement I see that that they have put Diver and others under the heading of "Financial Association," because at that time I had the Financial Association as debtors, and had got a judgment against both parties.

4759. Was that book which you have mentioned laid before the directors?—It must have been, because it was made up in the directors' room.

4760. You did not like to mention at the meeting the sum which Premchund owed; but could not that book have been shown to, and seen by, the directors without the bank managers knowing anything about it?—Certainly. Mr. Chapman says that he did not know, but he was a new director. He had only been a director for a day or two before, and he could not know; and the same is the case with Mr. Norman.

4761. With respect to Premchund's jewels; you thought that Hurryvullubdass was likely to be a purchaser of the jewels?—I did; not for himself but for the Guicowar.

4762. He spoke about it?—Yes; and I said, "Any that you want can be sent up to Baroda. I will send them up to our own agents."

4763. You were glad to hear it?—Certainly I was.

4764. Did you keep up the notion?—Yes, for a long time.

4765. Did you write to Hurryvullubdass?—No; I did not see him for a long time again. I was told that he had gone to Baroda, and I know that he did so. I did not see him for a very long time afterwards, until I found out that he had come back; and the answer which I got from him was that they were of rather a small class of stone.

4766. With regard to the meeting where you say that there was no document prepared, you state that you spoke to Mr. Lidderdale afterwards about the minute?—Yes.

4767. What did you do?—I showed him what I had written out from his dictation, and he revised it.

4768. That was a record of the proceedings?—Yes.

4769. What document was there as to an agreement binding the bank managers?—Mr. Kelly was to prepare that, but I never got it from him.

4770. Was it on precise or definite orders that you made each advance after that?—Yes; the directors arranged for eight lacs to be advanced up country.

4771. When any director gave you orders to make these advances, did you let him know that the bank managers had not bound themselves, or that the security had not been lodged?—Yes; they knew it. Mr. Lidderdale came in and was there most of the day.

4772. All that time the money was being advanced?—Yes.

4773. Did you yourself make any objection to it?—I forget; I may have done so; I think that it is very likely.

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4774. Would you not have done so as secretary, and as taking an interest in the safety of the bank?—Yes; but I suppose that I thought with others that the bank was perfectly secure. I certainly thought that.

4775. More especially when you were secretary of the bank, did not you think that, for your own responsibility, and your own credit, things ought to be ship-shape, and that before you advanced money you ought to get security?—It was represented to the meeting on that very day that unless Premchund got money he would be in a serious position.

4776. I do not mean that, but did you not get some document for your own protection?—Any document which I might have written would certainly have been better than nothing, though it might not have been in legal form, and I regret now that I did not.

4777. As far as I can see, you did not take any steps to protect yourself. What were the arrangements in the bank for protecting the bank against carelessness on the part of accountants and clerks in writing up these books, and making the entries in them, which they should have done?—The accountant was responsible, and the head of each department under the accountant.

4778. Who was responsible for omissions?—The head of the department certainly should be responsible.

4779. Who was responsible for omissions in the Application Book?—I do not think that the accountant had anything to do with that book. It would be the ledger keeper, Mr. De Ga.

4780. Was he the head of a department?—He was at the head of the ledgers. He had charge of them.

4781. Was it possible for a series of omissions of that sort to take place for eighteen months, and to escape the notice of the secretary?—Perfectly possible. The book was of no use to me as secretary.

4782. Was not it likely that at meetings of the directors you would notice those things?—I never opened the book. It was for the directors to open it.

4783. Do you think that they would be likely to call up the secretary and ask him?—They would ask him if they wanted him.

4784. When you get a person like Mr. De Ga as the head of a department, surely there is some necessity for a check. What check was there over Mr. De Ga?—If you have a check over every head of a department you must double your establishment. There is a check in essential matters.

4785. This is a very essential matter, namely, the persistent omission of a certain class of information from a book which was for the special information of the directors?—It was not so very essential as keeping the accounts correct.

4786. Anything in a chain of accounts must be correct, because they have to balance?—But that was his principal duty.

4787. This was a book for the information of the directors, surely a check was necessary?—In a large establishment I do not know that you could have such a system of check.

4788. The secretary himself was the person to check it, was he not?—I never looked at it.

4789. Was the secretary in the habit of looking at the books which were to be laid before the directors?—Certainly not. I never looked at them unless the directors opened them and drew my attention to them.

4790. At what books did the secretary look?—He had to look at no books.

4791. Mr. Blair told us that the duty of the secretary was to open the letters, and to do what Premchund told him; surely there must have been something more than that?—Yes, the opening of the letters was more routine work.

4792. I should imagine that the secretary was responsible for a system of check or control. Can you tell me what system of check or control there was by which he should know that things were going on right?—He had the balance sheet every half year.

4795. It would not take him five minutes to look at that. What did the secretary do so as to know that things were properly done in the bank?—I do not think that it was the duty of the secretary to see that the books were properly kept.

4794. Whose duty was it?—The accountant's.

4795. I come back to the Application Book; it was not the duty of the accountant to see to that, was it?—He had all the books, but it was not like his ledgers or the Day Book.

4796. Or any book in which a mistake would be detected by the balances?—Yes; or in which the omissions would be found out; in fact, if it had been a book requiring to be balanced they must have been found out in a very short time.

4797. Then how was it a book which Mr. Blair could possibly have omitted looking at every now and then?—I cannot say whether he looked at it or not, but I know that it was very rarely that I opened it.

4798. What is to be thought of a system by which an important book like that could have a series of omissions, and in fact a system of omissions, and no person whatever know about it except a man like Mr. De Ga. You did not know of it, and Mr. Blair did not know of it, and the directors were misled for a year and a half as to what was going on in the bank?—It was not supposed to be so very important at that time; the directors knew well enough what was going on in the bank.

4799. Then do you mean to say that the omissions in that book were quite immaterial?—I did not look at it as being of so much importance, knowing the business of the bank so well as I do.

4800. Then what was the use of such a book?—I do not justify withholding these entries from it, they ought to have been in it.

4801. As to the general ledger, what was the good of it?—Which?

4802. The one as to which there is uncertainty when it was begun?—The use of it was to ascertain how much each man had against him.

4803. I think that you made some remark disparaging to it, and to the effect that it was not of much use?—No, I think that the book was most useful, because it showed at once from the different departments in the bank what amounts were against each man.

4804. Was it ever looked at?—I have seen Mr. Hannay look at it over and over again.

4805. Was it looked at by anybody except Mr. Tracey and Mr. Hannay, whom we cannot examine?—I do not know that Mr. Tracey looked at it, but Mr. Hannay did.

4806. Have you any remembrance of any one of the directors looking at that book?—I cannot tell you but the book lay on a table in the directors room.

4807. Who suggested the making of the book, was it your suggestion?—It was Mr. Blair's, I think.

4808. Do you remember when?—No; it was in the beginning of 1865. I believe that he says that he heard of it after he came back from Ajmere.

4809. That was within six weeks of his departure?—Yes.

4810. Then in fact that book would not be of much use in his time; was it used in your time?—It was used a great deal, because I very often had to refer to the assistant who was writing it up to get the outstandings against particular people.

4811. We have been told repeatedly that one grave cause of the extent of the advances which had been made, and the large sums outstanding against various persons was that the answers which were given as to those outstandings never included more than one description of advance. After this book had been started when does it ever appear to have been of the slightest use, because we have not found that it was ever turned to use in any way?—It certainly could not have been of the slightest use in one way, namely, in preventing the granting of further credits, because the system was stopped.

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4812. Was it taken advantage of in this way, that a list of all the sums outstanding against one man was ever shown?—It was shown to me.

4813. Was any list ever prepared and laid before the directors, showing the whole sum for which any man was liable to the bank?—I believe so, but I do not remember; it would be, certainly, if they asked for it. I am perfectly certain that Mr. Hannay frequently asked for returns of that sort.

4814. What arrangement was there for ensuring that the money was paid into the bank which was promised to be paid in, and upon the faith of which promise money was lent?—A record of all money to be paid in or paid out was kept by the ledger keeper; and where that was not done it would be reported.

4815. What check was there against the failure to lodge securities upon the faith of the receipt of which money had been lent?—There would be a memorandum sent to the registrar of securities.

4816. Do you know that there were failures in that respect?—I did not know that there were failures, except for a time. I think that you will find that in many instances where securities were promised we noticed it and wrote repeatedly for them.

4817. In the letter of the 30th of June 1865, from the Government directors to the Government of Bombay, it was described what sums of money had been advanced on shares, and what shares had been accepted as security; did that list include only the head office, or did it include the branches?—I forget; there would only be the Kalbadevi branch, I suppose, which would have any such transaction.

4818. Do you not remember?—No.

4819. I suppose that a detailed list was prepared on which to base that abstract?—Yes.

4820. What, according to the practice of the bank, would have been done with that detailed list which gave the results mentioned in the letter?—I do not know that they were required to make a list, the registrar of securities would simply have to give so many Back Bay shares and so many Elphinstone shares out of his ledgers.

4821. Supposing that he prepared a list, what would be done with it?—It would be kept among the records of the bank for the year I should think.

4822. Supposing that there was an error in it, how would you trace it back, how would you explain anything wrong in it, how would you be able to get at it?—You would very soon find out from the books if there was an error, without a list at all.

4823. I wish to know from you how that list was prepared, and also what ought to have become of the list on which these figures should have been based?—I do not know.

4824. There was no such list in the bank. Were all those papers destroyed every year?—No; the papers are kept, but a great many of the papers of the bank unfortunately got rather loose in removing from one bank to another.

4825. You have no recollection of that list?—No.

4826. When the Government directors said in this letter on the 30th of June, about two and a half months after that system of advancing on shares had begun, that it had been discontinued for some time, do you know why it was intended to discontinue it?—We should very soon have had all the shares in Bombay.

4827. It was not because you found that you were giving out money faster than you intended?—I suppose, that that would follow if we continued advancing at the premiums put down there.

4828. The system of giving cash credits was introduced in your time?—Yes.

4829. And security was taken?—Yes, a promissory note on demand; it was done by other banks as well.

4830. Securities were occasionally taken?—Yes.

4831. When securities were realized, what was the rule of the bank as to the way in which the realization of these securities was shown; for instance, I

allude to the case of the Asiatic Bank?—The proceeds were placed to the reduction of the debt.

4832. If you reduce the amount from 25 to 10 lacs, and the cash credit is still extant, they can draw up to the 25 lacs. The system of cash credit means that the person who has it can draw up to the maximum limit, if the period of credit is not exhausted; and the person in the bank who attends to that account is authorized to honour the party's cheques up to the limit; and that is what was done in the case of the Asiatic Bank?—You are quite correct in that; but you forget that we did not get the securities which we were to get in the case of the Asiatic Bank, which would have cleared us up to the whole amount.

4833. Apparently, the very best thing which the Asiatic Bank could have done would have been to have realized all the securities, and to have paid the money in, and then to have drawn to the maximum again. What was the system to guard against their doing so?—In the case of the Asiatic Bank, if we got all the securities which we were entitled to, the 20 lacs would have been paid off.

4834. You got a lot of securities, and they became nullified, because, after the proceeds were credited to their account, the Asiatic Bank again drew up to the maximum?—No, they would not have done that. The securities were more than the amount.

4835. The securities orignally were more than the amount. After some of the securities were realized they again drew up to the maximum?—Yes.

4836. What is the meaning of your having a security, and what system is it by which a cash credit can be drawn against after the securities have been realized?—I must stick to my own opinion, namely, that we expected these securities from Calcutta. My opinion is that we were perfectly right in what we did.

4837. What was that?—We allowed them to draw more than the securities represented in the expectation of receiving the full amount of securities from Calcutta and other places.

4838. The securities were bit by bit realized and carried to this account, reducing the debt, and afterwards, after some of the securities had thereby become null, they drew again against their cash credit to the maximum, with only some of the securities left outstanding, from which very little has come. Would the directors sanction such a system?—Certainly.

4839. Would not the directors insist that the proceeds of the securities should be kept in hand, and that the Asiatic Bank should draw on an account which should be irrespective of the securities?—I can only say what I have said already on that point.

4840. I am distinctly to understand that you say that it is perfectly right that the securities might be credited to that account, and that the people to whom credit was given might still be able to draw up to the amount?—I never said so; that would simply be giving them money without any security at all.

4841. You are aware of Mr. Kelly having been ill on the occasion of the meeting regarding the loan to Premchund?—Yes.

4842. Do you think that he was in a fit state to do his duty at the bank?—I thought that he was, but he was very ill.

4843. Were you in any way responsible for seeing that the document which he should have prepared was prepared at once?—I was at him almost every day about it, and I was always promised it.

4844. Was it a paper which would have taken any time to draw up?—It was drawn up by one of his partners, and afterwards torn up, but he did know anything about it. Possibly Mr. Kelly would have drawn it up otherwise, as he attended the meeting and knew the arrangement.

4845. (*President.*) Is there anything which you wish to add?—I should like to make a remark. I found by Mr. A. Brown's evidence that he had evidently been misinformed in Bombay about a transaction as to Mr. Crawford, or rather a letter assigning a claim of Mr. Crawford's against the Great Indian Peninsular Railway Company, and that Mr. Brown had been informed that the

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value of this claim was 70,000 rupees, and that it had been mislaid by me. I distinctly deny that. That letter was in existence when Mr. Stuart took charge, and Mr. Stuart had it one day, and I understood that it was given to him by the security department—by Mr. Fraser, junior. I knew that it was lost before I left, but I was never accused of losing it before I saw Mr. Brown's statement. I say that it was there in Mr. Stuart's time. I think that Mr. Stuart must have forgotten, or I do not think that he would have allowed Mr Brown to say that.

4846. He might not have been present in the room; he was not there every day.—I wrote to Bombay to Mr. Rodgie to find out what the amount was, and he wrote to Mr. Hurrell, Mr. Crawford's partner, and he says that we could not have got it without having a legal assignment of the amount, and that the whole amount would be 5,000 rupees even if we had got it. I am talking of the late Mr. William Henry Crawford.

4847. Do you allude to the valuation of his shares taken over, together with his bill of costs?—I was referring to the bill of costs. We had got a part of the debt. Of course I am willing to take any fair responsibility.

Adjourned to the 27th November at 11 o'clock.

Friday, 27th November 1868.

PRESENT:

President.

Sir CHARLES JACKSON.

Member.

Major McLEOD INNES.

Secretary.

F. D. CHAUNTRELL, Esq.

(*President.*) I will take this opportunity of saying that we have got into arrears in some of the ministerial part of the business of the Commission, and that after to-day we shall adjourn until next Thursday. By that time we hope to have the assistance of our colleague Mr. Melvill, who is now, I am glad to say, recovering from a bad attack of pleurisy. We have had a letter from Colonel Ballard, which the Secretary will read.

(*The following letters were read by the Secretary*).

" India Office, 24th November 1868.

" From the Secretary, Bombay Bank Commission, to Colonel Ballard, Lasswade, Edinburgh.

" Sir,

" I have the honour to acknowledge the receipt of your letter of the 20th instant, and am directed by the Commissioners to apprise you that they deem it right to afford to every Government director of the late Bank of Bombay an opportunity of presenting himself before them for examination should he desire it, having regard to the accusations which have been made by the shareholders against the Government directors as acceptors of bribes in the shape of allotments of shares which had been run up to a high premium.

" The Commissioners will be prepared to take your evidence on Thursday week, the 3rd proximo, at 11 a.m., in Room No. 200 of this office, should you wish to appear before them for the purpose. They do not themselves propose to summon you, as you do not appear to have acted as a director of the Bank prior to July 1865.

" I have, &c.

" (Signed) F. D. CHAUNTRELL,

" Secretary, Bombay Bank Commission."

" Lasswade, near Edinburgh,

" Sir, November 26th.

I have the honour to acknowledge the receipt of your letter of the 24th November, stating that as I was not a director of the Bank of Bombay previous to July 1865, the Commissioners do not propose to summon me for examination, but having a view to the accusations which have been brought against Government directors as acceptors of bribes in the shape of share allotments, they would take my evidence if I desire it. The short period during which I acted as a director was subsequent to the time when the Bank's money was lent so profusely, and the only evidence I could give on

the matter of share allotments would be to state that during the period I sat at the Board I had no share transactions of any kind; and the only allotment I ever received was one of two Back Bay shares a year previously.

"I would rather not take a journey to London at this season, and request you will ask the Commissioners whether they consider it desirable to have any further evidence, and if so, whether they could not put the necessary questions in writing. I will come up to London if they wish it.

"I have, &c.

"(Signed) H. BALLARD.

"The Secretary to the Bombay Bank Commission."

(*President.*) That is all that we have found out against Colonel Ballard, namely, that he had those two Back Bay shares on the 1st of July 1864. That was a year before he was a director. (*To Mr. Le Messurier.*) Is it your wish that he should be called.

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FRANCIS STEWART CHAPMAN sworn and examined.

4848. (*President.*) I believe that you are a member of the Bombay Civil Service?—I am.

4849. What office did you hold in the beginning of 1865?—I was collector and magistrate of Sattara at the commencement of 1865.

4850. When were you appointed Secretary to the Government of Bombay?—In the early part of March 1865 I was called down to act as Secretary to Government.

4851. When were you appointed a Government director of the Bank of Bombay?—I was appointed to act as a Government director on the 8th of March 1865, and I believe that I took my seat at the Board for the first time on the 16th of March.

4852. When did you resign?—About the 20th of April 1866, I should think; I cannot be sure of the date, but some time towards the end of April 1866.

4853. Your last sitting was on the 24th. Did you receive any instructions on your appointment as Government director?—None whatever.

4854. How did you ascertain what the duties of a Government director were?—I am sorry to say that I did not ascertain them; I had no guide to enable me to do so, and I had nothing but my own judgment to act upon in the matter: there were no specific duties which we were to perform laid down; there were no official instructions given us of any sort.

4855. Then you were expected to know your duties intuitively?—Quite so.

4856. Were you ever in a Bank before?—Never, and I wish that I had never been in this one.

4857. Did you, on becoming a director of the Bank, receive any orders to communicate with the Government?—No. I was in constant communication as secretary to Government with the members of the Government, and with the Governor, but I had no official instructions to communicate in any particular way.

4858. Not originally?—No.

4859. What did the supervision or the superintendence of the Government directors amount to at the time of your appointment? I am not speaking of the period after the panic.—It appeared to me not to amount to much. On the first day that I joined the Bank I made my bow to my brother directors, and we were told that there was no business to be done, and we walked out.

4860. What did the superintendence of the Government directors amount to at the time of your appointment?—They sent in certain weekly returns to the Government.

4861. Did they ever make inquiries as to the Bank management? I am speaking of the period before the panic.—No. As I have described, to the best of my recollection no business of any sort was brought before us at the first few meetings which I attended. My recollection will not serve me precisely, but I believe that you will have evidence to the effect that no books

were put on the table at the first few meetings. I should not like to depose to that fact because my memory does not serve me, but I believe that you will have evidence to that effect.

4862. When was the letter dated 8th September 1865 received from the Secretary of State?—If I had the office file here I could tell precisely; I suppose that it was received within 22 or 23 days afterwards.

4863. The Secretary of State for India says in that letter, which is addressed to the Governor in Council: "But above all it should be the care of the Government directors to watch very closely the proceedings of the Bank, in order, so far as their influence extends, to prevent any repetition of imprudent management, and any disposition on the part of their colleagues to depart from sound principles should be forthwith communicated to you, in order that you may take such measures as may seem to you to be necessary in reference thereto."—With your permission I should like to go a little further back, before the date of that letter. I should state to the Commission that the first intimation which we, as the Government, received, I believe, was a private note from Sir Charles Wood, now Lord Halifax; he was Secretary of State, and he wrote to Sir Bartle Frere and sent a general warning, and said, "Do tell your Government directors to keep their eyes open," or words to that effect. There was nothing definite to tell us where the danger was to be apprehended, or any specific warning, but there was a general warning to that effect from Sir Charles Wood, and that was the first that I ever heard of anything going wrong.

4864. Do you remember the date of that note from Sir Charles Wood?—Sir Bartle Frere showed it to me the other day, and to the best of my recollection it was dated the 2nd of March 1865. I probably saw it shortly after joining the Bank.

4865. Was any new system initiated after the receipt of that private note?—I am sorry to say that we did not take such steps as I now think we ought to have done. I satisfied myself by looking at the general daily account to see the proportion which the assets bore to the liabilities, but no minute inquiry as to the nature of those assets was initiated by us.

4866. After the receipt of the letter of the 8th of September were any steps taken? I want to know now about the supervision of the Government. After you got this letter was anything done further in the way of supervision by the Government?—I should explain to you that in August 1865 I left the Bank, and was away on duty up country, and did not return till the end of the year or the commencement of 1866; but, as the Commission are aware, by that time business of every description was brought before the directors, and therefore they considered, I have no doubt, that every precaution which could be taken, as regards doing any bad business, was already provided for.

4867. There were no instructions given to the Government directors as to what their duties were to be, and pointing out how they were to proceed in protecting the Government?—None whatever.

4868. Do you recollect the Governor General's letter of the 17th of January 1866, which is printed at page 10 of the Blue Book, in which he inculcated greater vigilance on the part of the Bank authorities? The last paragraph of that letter says, after referring to what had been done in regard to the Bank of Bengal, "I am desired strongly to recommend to His Excellency the Governor the adoption of similar vigilance in regard to the affairs of the Bank of Bombay, and to remark that, in the opinion of the Governor-General in Council, the pursuance of such a course would effectually check the recurrence of difficulties similar to those under which the Bank of Bombay has been lately struggling. Loans and other banking business would be more cautiously conducted; the purchase of bills on Calcutta would not be sanctioned when, as in a late case, every available rupee in the Bank was necessary to meet local demands; and lastly, the interest and control of the local Government in the financial affairs of the presidency would be advisably increased to the general advantage of the state."—I think that by the time when that letter reached us, and in fact as regards the past generally, I may say that there was the closest supervision which the directors could exercise, as regards all new

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business. I do not think that it was possible for anything to escape their notice, unless it was voluntarily withheld from them.

4869. Were you called upon to send any written reports to the Government from time to time? I know that there are two reports, namely, of the 30th of June 1865 and the 31st of March 1866, but were you called upon to report generally and periodically?—No. I, as Secretary to Government, used to get returns from the Secretary of the Bank of the state of the liabilities and assets almost daily, which I used to lay before the Governor. I suppose that every day we got returns as to the general totals of the Bank.

4870. I suppose that that would be something like a copy of the daily book?—Yes; very similar to it. When I was with the Governor, and absent from Bombay, I used to get those returns.

4871. (*Major Innes.*) They showed balances?—Yes; it was very unfortunate for us that we were contented with those, and did not see more into the nature and details of them.

4872. (*President.*) I believe that you lived with one of the members of the Council?—I used to live with Mr. Ellis.

4873. I suppose that you were in daily communication both with him and with the Governor?—I was on the most intimate terms with Mr. Ellis.

4874. You say that you took your seat at the Board on the 16th of March 1865, and that at the first few sittings there were no books on the table?—I guarded myself by stating that I was not prepared to say so from my recollection, but, I believe, from what I have heard elsewhere that you will get evidence of that matter.

4875. You never saw a book of outstandings?—No; I was very much surprised when Mr. Donald Robertson mentioned such a book.

4876. You never saw a list of the outstandings till July 1865?—No; and it was not in the shape of a book, but was compiled in a tabular form.

4877. That is consistent with the evidence which we have received in India. We have also been surprised at hearing about this book. I believe that shortly after you took your seat at the Board you became very anxious about the proceedings?—Yes; I felt that we were mere ciphers, and at that time I confess I was quite ignorant of the duties, and I felt a certain amount of diffidence in protruding my ignorance in the matter. I had no reason to apprehend that anything was specifically going wrong; but at the same time I felt that we were kept in entire ignorance of what was going on at the Bank.

4878. I believe that you asked Mr. A. Brown at the end of April 1865 whether he was satisfied with the way in which the business was done?—I believe that I did.

4878*a*. I believe that you complained to him as to the utter ignorance in which the directors were kept as to the business, and everything which was going on?—I did so, I believe.

4879. Did you and he agree in opinion that the directors were ciphers?—Yes; and Mr. Lushington, who was my Government colleague, was of the same opinion.

4880. You also agreed in opinion that the Secretary was apparently uncontrolled?—Yes; that was our opinion.

4881. What did you resolve upon with Mr. Brown?—This was at the Board meeting of the 4th of May 1865. A good deal of discussion took place.

4882. Before that, did not you agree to act together?—We intended at that time to see to matters for ourselves, and on that occasion, on the 4th of May 1865, a good deal of conversation took place at the Board, relative to the mode in which business was conducted, and I think that there was a strong feeling on the part of some of the directors that it was not advisable to interfere much with the Secretary. There was a talk about constituents disclosing their affairs and their affairs being published, and matters of that sort.

4883. I believe that the persons present on that occasion were Mr. Hannay, Mr. Lushington, yourself, Mr. Tracey, and Mr. Brown; was not Premchund Roychund present?—Is his name on the Minutes?

4884. No.—I should not like to say.

4885. I believe that the resolution eventually come to was a species of compromise?—I should say that that resolution does not represent the real practical understanding which was arrived at; the practical understanding arrived at on that occasion, to the best of my recollection, was, that the hitherto unlimited powers of the Secretary were abrogated, and that for the future we were to have all business placed before us; and I think that if you look at the subsequent proceedings you will see that that was practically done.

4886. We do not find that to be the case in the resolution. This is the resolution, "Resolved that no new constituent of the Bank be allowed credit beyond three lacs of rupees, without the special sanction of three directors."—Yes.

4887. You were present at the next meeting when those minutes were read?—Yes.

4888. Did you object to them?—I do not say that we objected to them, but I say that in addition to that special resolution, there was a practical understanding that for the future business was to be laid before the Board.

4889. Surely it was a great pity, if there was such an understanding, that it was not inserted in the minutes?—I think so, but I consider that what I state is borne out.

4890. The panic came on afterwards, and then everything did come before you; you were in a fright; but what you have stated does not appear in this resolution?—Precisely so.

4891. Does not it appear, in point of fact, that you knew at this time that the Secretary was advancing three lacs and upwards upon his own authority?—I believe that he had been advancing up to any amount, up to that time.

4892. And is it not the conclusion from that resolution, that you allowed him to continue to do that in all old cases?—Unquestionably; there can be no other deduction from the resolution.

4893. Is there not another deduction from that resolution, namely, that you required three directors to be consulted only in the case of new constituents?—I think so.

4894. And that three directors were not to be consulted in the case of old constituents?—That is the logical sequence of the resolution, no doubt.

4895. You have heard from Mr. Robertson's evidence, and from his letter of March 1868, which no doubt you have seen, that he did not consider himself controlled by that resolution?—Yes, but at the same time you will permit me to say, that when an entire change of practice took place, as it did subsequently to that 4th of May, in the shape of bringing every single application before the Board, I think that, to all intents and purposes, the Secretary would not have been acting fairly towards us if he had gone on, or if in any exceptional cases he had given anything upon his own authority. I think that that resolution is an unfortunate one in many respects.

4896. That would be a very fair conclusion for you to draw if the panic had not come on.—I admit that we were influenced by the panic.

4897. I admit that from that time a great many things were brought before the Board.—Yes, and I should say that it was not an unfair inference that those cases which were not brought before the Board were improperly kept back from the Board. I consider that we are responsible for everything which took place as regards loans after the 4th of May 1865.

4898. You were three to two on that board day; why did not you have your own way. If Premchund was not there, there were three to two?—To the best of my recollection it never took the form of an actual division.

4899. Mr. Lushington proposed the resolution, did he not?—Perhaps he did, but to the best of my recollection, it never took the shape of a formal division, and was not put to the vote. It certainly was not a very business-like proceeding, and I regret that it was not more specific; but that was the understanding which was arrived at.

4900. If it had been adopted ten months sooner it would have been a different thing. You were present at the board meeting of the 12th of April 1865?—I was.

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4901. Did you approve of the resolution which was passed on that occasion?—I regret to say that I did.

4902. You approved of rescinding the old resolution forbidding any loans on shares, unless they were brought before the Board?—To the best of my recollection that old resolution was never brought to our notice, certainly not prominently, so as to provoke any discussion on the subject.

4903. It is set out in full on the minutes?—I know that it is.

4904. Did you approve of advancing upon shares as an abstract proposition?—I did at the time.

4905. Did you approve of advancing upon the premia of shares?—I approved of the whole of that resolution, I am sorry to say.

4906. But did you understand at the time that it would justify your advancing upon the premia of shares?—Unquestionably. But I should state that with regard to the disastrous consequences which resulted from this resolution, especially with regard to advancing on shares of the Commercial Bank and the Asiatic Bank, we had no idea that a royal charter conferred the privilege of obliging you to pay up the capital over again; nor was it until after the decision in the High Court that we were obliged to become responsible for those shares. It did not influence us at the time.

4907. Did you understand at the time when you passed this resolution that it would allow you to advance upon shares the calls of which were not paid up?—We did not look closely into the question of the liability which we were incurring at the time, but I certainly did give my consent to that resolution.

4908. Who proposed it?—It was proposed by Mr. Hannay, the Chairman.

4909. You see that the words are "Resolved that the Secretary be authorized at his discretion"?—I am sorry to say that I know the words perfectly.

4910. Was there any discussion upon that?—No discussion at all.

4911. Then again there was a little hedging at the end, "and it is to be distinctly understood that such advances are only to be granted to first-class applicants"?—Yes.

4912. But I suppose that you must admit that the Secretary was allowed to be the judge of who were first-class applicants?—Quite so.

4913. What was the object or the policy of that resolution?—To the best of my recollection the explanation given to us by the President was that there was a demand for money; that a good number of the people who were in the habit of dealing with the Bank had invested their capital largely in these concerns, and that, subject to the precautions which are stated at the end of the resolution, it would be an expedient thing to afford them assistance; and that there was no risk in doing so, and so on.

4914. Did you lay considerable stress upon your having a great deal of capital lying idle?—Yes.

4915. That was one object?—That was the principal object, I think.

4916. Did you not hear that at that time you had more capital than you knew exactly what to do with?—I think that that was alleged as a reason why we should make use of it in this way.

4917. Then came the panic at the end of May 1865, and there was a run on the Bank?—Yes.

4918. Which necessitated the telegram of the 15th of June 1865 from Sir Bartle Frere to the Governor-General?—Yes. With the permission of the Commission, I will state that it will perhaps explain much better what course I took, if they will allow me to put in some letters which I addressed to Sir Bartle Frere.

4919. From whom did Sir Bartle Frere get this information as to the danger of the Bank?—From myself.

4920. Did you address any letter to him?—I did. I will tell you how the correspondence originated. The first letter which I received from Sir Bartle Frere was dated the 8th May, in which he said that he had heard a rumour that the Bank had advanced on 131 Back Bay shares at the rate of 25,000 rupees per share. He said, "Is this rumour true?" and warned us that such a rumour

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existed. My answer to Sir Bartle Frere was as follows; it is dated 10th of May (Exhibit marked A 153):—I said: "Your informant must, I think, be in error. To the best of my belief, up to last Thursday, the Bank had hardly advanced at all on Back Bay shares, and in a few instances where they had done so the shares had been taken as collateral security." I am sorry for that expression "collateral security"; I am afraid that it will appear very frequently. "The other day Lushington and I spent some time in looking over the books, and have directed a statement to be prepared showing the number of individuals and firms to whom advances above one lac have been made, and the security by which they are covered. This statement will be ready by to-morrow, and I shall then be able to send your Excellency precise figures as regards Back Bay shares. There can be no doubt that advances were in the days of prosperity very recklessly made on personal security." That was my first intimation to Sir Bartle Frere. I added: "It would be suicidal to press for payment now, and the policy of the Bank for some time past has been to decline all fresh applications, and to renew in cases where it would be hopeless to expect immediate payment." That was the commencement of my correspondence with Sir Bartle Frere. There are other matters in the letter which do not require to be read. Then on the 11th May, the day following, having got this information from the Secretary to the Bank, I wrote to Sir Bartle Frere another letter (Exhibit A 154), as follows: "In all rupees 6,94,750 have been advanced on 35 Back Bay shares, or, on an average, rather less than rupees 20,000 per share. The following will show how much has in all been advanced on shares."

4921. Have you a list of the Back Bay shares?—Yes.

4922. There was one case of 80 Back Bay shares to Kursondass Madhowdass himself alone?—The figures which I sent to Sir Bartle Frere were taken from a letter addressed to me by Mr. Donald Robertson: "Back Bays 35 shares, rupees 6,94,750; Elphinstone Land 324 ditto, 6,40,000 rupees; Asiatic Bank 890 ditto, rupees 3,04,250; Commercial ditto 3,580 shares, 12,99,800 rupees. The above sums represent the total amount that has been advanced *solely* on shares. The Bank hold a number of Back Bay and other shares, which they have thought it prudent to take into safe custody. From two to three large loans have been made on personal security. Pray pardon this hurried note." I will read Mr. Robertson's letter to me, which is dated 11th of May 1865 (Exhibit marked A 155): "My dear Mr. Chapman. Since the resolution was passed to advance on shares the book shows how much has been given out in that way;" and then follow the figures which I have already read. "Besides the above, we hold a considerable number of Back Bay shares which we took into safe custody from those names who have large loans from the Bank on personal security; men such as B. H. Cama, Cursetjee Furdoonjee, and Kursondass Madhowdass. These loans were not nominally granted on shares, but it was thought well to have some security collaterally independent of their personal standing. Several of these large loans, Premchund tells me, will be paid up very soon." The letters which I have read constitute my first correspondence with Sir Bartle Frere. Then came the run upon the Bank. I communicated that fact to Sir Bartle Frere.

I wrote on the 8th of June 1865 to Sir Bartle Frere as follows (Exhibit marked A 156): "I have just returned from the Bank meeting. From what I can learn matters are looking as black as they well can. The first thing that came before our notice was some correspondence that took place yesterday between the manager of the Mercantile Bank and our Secretary. It resulted in the former sending a cheque for the whole of the deposits in our hands, amounting to 25 lacs. The affair originated in silly pique, and on two of the directors calling this morning on the Manager, was satisfactorily settled. I have instanced this fact to show the great jeopardy in which the Bank is apparently placed. There is such an entire absence of all confidence, that a run may take place any day. If this should extend to the large depositors (the Commercial Bank, for example, has 40 lacs in our hands), we should have to suspend payment. There is, I hope, little chance of the contingency I have alluded to ever taking place, but there is no use disguising the fact that it is on the cards."

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At all events, there can be no harm in anticipating and preparing for the worst. To this end I have asked Mr. Hannay and the other directors to prepare and submit any feasible scheme that may occur to them by which Government could assist them if they were placed in the straits I have referred to. When they have done so I will lose no time in laying it before your Excellency. I hope I shan't be considered an alarmist for having written in this style. On paper we are in a very satisfactory state, but the list of overdue bills is not a pleasant sight. The list, too, of debtors, whose bills have still to run presents a very different aspect to what it would have done six months ago. Men who were then supposed to be good for crores are now either insolvent or else on the verge of bankruptcy. In the days of prosperity our management was characterised by what now appears to have been most reckless conduct. It is a satisfaction to me personally to feel that the mischief was done before I had any connexion with the Bank."

I was not then aware of the extent of the advances on shares.

My letter continuous thus: "I do not for a moment mean to imply that one would have acted otherwise than the former directors did. It is easy enough to be wise after the event." That was my first letter to Sir Bartle Frere, that was dated on the 8th of June 1865.

On the following day, the 9th, I wrote again as follows (Exhibit marked A 157): "I enclose a note just received from Mr. Hannay, and would suggest the advisability of a telegram being despatched to the Governor General, asking him to depute to your Excellency the authority referred to, to the extent of a crore and a half. I was at the Bank this morning with Lushington, and we both urged on the Secretary the necessity of taking legal proceedings against the parties whose bills are over due. It is difficult to get the lawyers to act, as they are all over-worked, winding up bankrupts' estates. The next crisis is expected early in July. I propose remaining here until I receive your Excellency's instructions as to whether you wish me to proceed to Poona.

"I would beg to suggest that Colonel Ballard be appointed a Government director in lieu of Mr. Mangles, whose place has not yet been filled up."

This was Mr. Hannay's letter to me: (Exhibit marked A 158): "I have seen Kelly, who has gone carefully over the different Acts." (This was with regard to the power of Government to assist out of the Currencies.) "He says that no power to make use of currency reserve in the hands of mint masters is left with local Governments; Clause 10 of Act 19 (1861), however, gives power to the Governor General and Secretary of State to use this money to the extent of four crores."

(*Witness.*) He is quite wrong there in what he says.

(*President.*) Quite wrong.

(*Witness continues to read.*) "Matters here are so serious that we might be in difficulties any day, and it is time to think how best to face and meet them. I firmly believe that if the Governor had power, in case of need, to lend the Bank, say, a crore to a crore and a half, hardly any of this money would be needed. As soon as it was known that there was assistance at hand in case of need, the necessity for it would in all probability die away."

On the 13th June 1865 (Exhibit marked A 159) I wrote the following letter to Sir Bartle Frere. "I have just arrived (that is, at Poona)" 11 p.m., having made up my mind quite suddenly this afternoon to run up and personally communicate to your Excellency the state of money affairs in Bombay. I hope to do myself the pleasure of coming over to breakfast to-morrow."

On the 14th I wrote the following letter (Exhibit marked A 160):—

"14th June 1865, 8 p.m.

"My dear Sir Bartle Frere,—I have just received the enclosed notes. They depict very forcibly the critical state of affairs. Ellis has written to say he will be up here by the 7.30 train. I have kept copies of the enclosed to show him." "P.S.—Your Excellency will observe that the letters are dated yesterday."

I received this letter from Mr. Hannay without any date, but I presume that it must have been either the 13th or the 14th of June: "Any word from his Excellency? Cash is running away like smoke; we will not be able to go on much longer without assistance, I fear. At this rate Monday

might bring us to a stop." It was on the receipt of that letter that I put myself into the train, and went up to see the Governor.

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On the 13th of June Mr. Hannay wrote the following letter to me:—

"Things do not look pleasant to-day. Balance is, as you saw, down last night to 98 lacs, exactly one-third of liabilities. To-day mercantile draws five lacs, and there are hosts of other cheques coming in. I may mention that for the requirements of next mail much cash will also be withdrawn. Natives seem determined not to pay, so that the banks have nothing coming in; and unless we get assistance (say power to pay away one crore and a half of currency notes from the treasury balance) I fear we shall have to close the doors on Monday. As I have said before (and all with whom I have spoken agree with me) if the public knew that the Bank would be supported, I believe the natives would take courage, and again pay in money. We have, however, now had an opportunity of seeing them in their true colours, and very nasty ones they are. They have ruined their credit for ever."

That is Mr. Hannay's opinion. He also forwarded to me a letter from Mr. Andrew Grant, who, I believe, was the chairman of the Chamber of Commerce, and was considered a great authority on the state of affairs at Bombay. Mr. Hannay, in another letter of the 13th June 1865, (exhibit marked A 161) says, "The enclosed from Grant will in some measure tend to show you what outside views are. The remark about the conduct of Government you may pass over. This refers to that unfortunate 18 lacs which Lushington has had to kick backward and forward."

4923. What does that refer to?—That is something connected with the Government balances.

4924. That is what Sir John Lawrence referred to?—Yes. Mr. Hannay continues as follows:—"To-night people seem very anxious indeed, and declare on all hands that unless Government aid us, it will be a case of general ruin. This, as you are aware, has long been my opinion, and I think that His Excellency would be more than justified by the opinion of the world were he to accept the responsibility of permitting us to use part of the currency balance. If we have to stop, the ruin would not be confined to Bombay. It is now the pivot of exchange for the whole East, and the havoc would be terrible. If anything is decided upon, kindly telegraph, as people are terribly anxious." That is from Mr. Hannay, dated the 15th of June. I will read Mr. Grant's letter.

4925. The Governor acted upon that letter?—Yes.

4926. Will you read it?—This is the letter from Mr. Grant to Mr. Hannay (Exhibit marked A 162): "I am sorry to see the Bank of Bombay statement for the past week, which looks as if things were going from bad to worse. The conduct of the Government seems strange, and is making people anxious. Several people have been to me, asking whether it is possible to induce the Government to increase the issue of notes for a few months to some extent over and above their usual proportion to the coin and securities on hand, so as to increase the circulation temporarily, and give accommodation; and it is said the Bank directors had taken some steps in this direction. I don't know whether this may be true or not. There are a great many difficulties connected with such a course, but it really seems as if some such measure is imperative to save us all from ruin. What do you think of it yourself? Of course any request for such relief ought to be made by a large body representing the whole monetary interests of the place, in order to have weight with the supreme Government. Even then I doubt if the Simla folks would admit the gravity of the crisis, or the necessity for the step."

I think that these letters illustrate the period. On the receipt of this information, as to the great risk which was hanging over us, the Governor, as you know, telegraphed to the Governor General for permission, if need be, to make use of the currency reserve, and permission was granted.

4927. The Governor-General's reply was, "Use your discretion, you will be supported?"—Yes. I can read the letters which passed at that time between myself and Sir Bartle Frere.

"17th June 1865. (*Exhibit marked A* 163): My dear Sir Bartle Frere, I am delighted at the news Ellis has just brought." (We were in great doubt

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as to whether we should get the authority or not.) "I have just telegraphed to Hannay to the following effect:—'Excellent news from Simla. Full authority given to this Government.' Enclosed is a note from Hannay. I propose going down to Bombay to-day."

Mr. Hannay wrote to me on the 16th of June. I should explain, before reading this letter, that the Governor had declined to act on his own authority in a matter interfering with the currency reserve, because he said that he thought that if he acted upon his own authority, and it was not upheld, it would only make matters worse, by rescinding any permission which might have been given. This is Mr. Hannay's letter (Exhibit marked A 164):—

"The Governor takes a correct view of the case. If the Governor General did not uphold his action, the effect would assuredly be ten times worse than if the remedy had not been tried. I was in hopes, however, that under present pressing need we might have felt assured of his sanction. I hope the reply may be favourable, and that we may have it speedily. It would be just like an open loan; the Bank would only draw for what was really necessary. I got your telegram at 11 p.m., and this morning at 6 a.m. sent you one as per copy enclosed.

"With reference to Ballard you are aware that 23 lacs of bar gold is counted as cash as usual; this in ordinary times being readily convertible, but at present can only be sold in small lots. Yesterday Ballard declined to grant us notes for it. Would that we had more gold and fewer past due bills. Now these are not times for too strict readings of Acts. I hope, therefore, His Excellency will authorize him to advance notes on hand; he can sell at leisure, on account of the Bank. Surely this is not asking very much.

"The next part of my telegram we could act on at once by instructing agents to pay money into local treasuries, in consideration of receiving collectors telegrams; the Mint to give us credit at once, the Bank guaranteeing any expenses that may be incurred. With the exception of the Oriental and Asiatic, local banks (old) have behaved very badly. The Mercantile should not have forgotton that the Bank of Bombay saved it from closing its doors during a sickness in its infancy. No money is coming in, nor will it come till after 1st July, I fear."

There is a postscript to this letter. He had received the news that we were supported. "Our best thanks to Sir Bartle for his prompt action re Ballard. Your telegram was a great relief. There was a considerable withdrawal in the morning; but few cheques have been presented these last two hours. If it was known that Government would support us in case of need, I dare say we would have a crore paid in within ten days. We have asked the Bank of Bengal to give us a credit to the extent of 50 lacs."

I wrote to Sir Bartle Frere on the 20th June 1865, this permission having been received (Exhibit A 165). "A very marked amount of confidence was established directly it became known that Government were prepared to assist the Bank in case of need. From what I can learn there is little chance of aid being now required. I have taken care to tell the directors very plainly that Government would not consider themselves justified in adopting so extreme a measure, unless the Bank was actually *in articulo*, and that therefore they should not relax their efforts to help themselves. They are in treaty for an open loan with the Bank of Bengal. The Mercantile and Agra treated us shamefully, and I hope you approve of our proceedings in returning them the wretched pittance they had left in our hands, and declining all further dealings with them.

"I communicated Sir C. Wood's objections regarding the advances on shares to the directors. I fear the measure cannot be justified. In palliation of it, it can only be said that the shares were taken in a great measure as collateral security; that the amount actually advanced was comparatively small, that the Bank had at the time upwards of two crores lying idle, and that the demand for accommodation, on what then appeared excellent security, was very urgent. The Bank will gradually assimilate their charter to that of Bengal and Madras. Mangles never formally resigned. I take blame to myself for not having brought to your Excellency's notice the circumstance of the vacancy having occurred. If I remember right I did so verbally some time ago. Ballard is, I think, on the whole, the best person to appoint; Marriott is so much away from Bombay. Our cash balance last evening was 97 lacs, and yesterday the receipts

were three lacs in excess of the withdrawals. Our liabilities, payable on demand, amount to two crores, and some 30 lacs, and our fixed deposits to about half a crore. The following is the latest state of the currency account;—" and so on about the currency. " I have telegraphed to Madras, and requested them to send what money they can spare by the steamer of the 24th. Lushington sent up to Poona a statement of the probable balances in the different Treasuries at the end of June and July respectively, after all expenses had been provided for. The Directors ought (and I believe do) to feel very grateful to your Excellency for the prompt and decisive action that has been adopted. There is no chance, I fear, of Lushington and myself getting the requisite information to enable us to submit an official report before the mail."

On the 21st of June 1865 I wrote this letter (Exhibit A 166): " My letter of yesterday will have informed your Excellency that I lost no time in disabusing the directors of the idea that they need take no steps to help themselves. The scheme started by Mr. Brice was, I am told, quite an impracticable one. The Bank of Bengal have promised to accommodate us to the extent of 20 lacs on the ordinary terms, but state that we must furnish special security if we require more. I do not know whether we shall accept their liberal offer on these terms. Madras has promised to send the large sum of 10 lacs by the steamer of the 24th. I am very vexed about that telegram, but doubt whether the public received their first intimation from it. It is commonly asserted that the fact of the Government of India having vested this Government with discretionary power was known in the Bazaar on the Friday night, and that the intelligence came from Calcutta." I beg to call the attention of the Commissioners to that point, because I expect that I shall have occasion to refer to it afterwards, with regard to the disclosure of intelligence from Calcutta.

Witness continues to read.—" I have just returned from the Bank. We have decided upon consulting the solicitor regarding that utterly false statement in to-day's 'Gazette.' Under any circumstances it seems to me most desirable that it should be publicly contradicted. Goodness knows our sins have been heavy enough to meet any amount of abuse, but no good can possibly result from these malicious attacks. There is a great deal of personal and party feeling at the bottom of these attacks. The impression is that Hannay and Tracey are tools in Premchund's hands. My own conviction is that these two men are thoroughly honest and upright. As far as I can learn, they have not, directly or indirectly, received the slightest assistance from the Bank; on the contrary, the Asiatic is one of our best supporters."

That was the Bank with which Mr. Hannay and Mr. Tracey were connected.

" I enclose an amended statement of the probable cash balances at the end of the current and of the next month."

On the 21st June, I wrote again as follows:—

(Exhibit A 167.) " After I wrote this morning Lushington assured me that the contents of the telegram were not divulged by any of the directors. As I mentioned in my letter the news is said to have been known in the Bazaar the previous evening; it was certainly known long before the telegram was opened. Lushington hopes that the new director will be a resident of Bombay. Foggo's appointment would be a very distasteful one to the other directors, but perhaps their feelings are not entitled to much consideration. On the whole, I am inclined to think Ballard would be the best man, and in this opinion Lushington concurs." That brings us down to the 21st of June 1865.

4928. Did not you, on the 21st of June, get a telegram from the Governor General's Military Secretary?—No.

4929. There appears to have been one received. This is from the Confidential Appendix. (*Exhibit marked A* 188.) Sir Bartle says, " Since I began this letter I have read your Military Secretary's telegram of the 21st." Did you not get, on the 21st, or the next day, a telegram inquiring whether you had taken steps to ascertain the quality of the good outstanding bills and securities which the Bank held?—I do not remember that telegram; it was probably sent direct to the Governor, especially if it came from the Governor General's Military Secretary.

4930. This is the answer of Sir Bartle Frere to it:—" This was done some six weeks ago, when Sir Charles Wood drew my attention to the management of the Bank, and the result was better than I had expected. The advances on

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shares without collateral security were not large, nor the prices at which they were valued then high. There ought, of course, to be no such transaction at all; but they were not heavy, nor, at the then prices, attended with much risk." Did you go into the matter then?—I have read out the letters.

4931. Do you happen to be aware whether Sir Bartle Frere knew what was meant by "collateral security?"—I do not think that any of us knew.

4932. What was your idea about it then?—I think that we were entirely deluded, and that the term was a delusion; but I myself believe that in the first instance the Bank officials deluded themselves, and then succeeded in deluding us. I can only give you my idea of it by a practical illustration. For instance, I might lend you a 5*l.* note under ordinary circumstances; but I might probably receive from other friends similar applications, and I might say, "I would not mind lending you this 5*l.* note, but I am rather short of cash, and I should like to get your watch into my custody as security for it." It is difficult to state how far I should be influenced by my estimate of your personal character, and how far your watch would influence me.

4933. Did you ask yourself the question to what the security was collateral?—That was my opinion. I admit that it was an entire delusion, but we were certainly deluded at the time.

4934. If you or Sir Bartle Frere had asked to what it was collateral, you would have found that it was a little piece of paper, namely, a promissory note?—I am not going to defend it; but I suppose the Commissioners know with whom this bright idea of collateral security originated.

4935. I suppose that it originated with Mr. Blair?—No. From the papers it appears to have originated with the Bank of Bengal. I do not wish for a moment to defend it, because I am satisfied that it is a delusion.

4936. You did not institute any inquiry at that time. It is only those letters that Sir Bartle Frere acted upon. You had not made any inquiry six weeks before?—No, certainly not.

4937. On the same day that Sir Bartle Frere wrote the letter of the 22d of June, which is in the Confidential Appendix, the Governor General wrote him a letter, which you will find at page 2 of the Blue Book. It is a very important letter, because he grapples with the whole thing. The letter says: "The attention of the Governor General in Council having been lately drawn to the state of the affairs of the Bombay Bank, I am directed to request that with the permission of His Excellency the Governor, a full report may be furnished as soon as possible on this subject."

Then it goes on to say in the next paragraph, which is most important: "The chief points on which information is desired are the precise position of the Bank in regard to its assets and liabilities; what have been the losses of the Bank since the commencement of the present commercial crisis; what is the present amount of overdue bills; what proportion of their amount may be fairly expected to be realized; and what are the prospects of the Bank with reference to the bills which have yet to run?"—Precisely.

4938. You see how important that is. It does not merely ask, what are the overdue bills, but "what are the prospects of the Bank with reference to the bills which have yet to run," which would have taken in the question of all bills renewed over and over again?—Exactly.

4939. Was that letter referred to you and to Mr. Lushington to report upon?—I believe it was. In fact, if you happen to have the office files you will see the precise fact. It is impossible from the Blue Book to state what action was taken on the letter.

4940. It was before you?—Yes.

4941. Is your report of the 30th of June 1865 meant to be an answer to this inquiry?—Partly. I will explain what I mean by "partly."

4942. Then I find that the day before you sent in this report of the 30th of June you wrote a letter from yourself to yourself?—Exactly.

4943. Which put the thing very loosely?—Perhaps so.

4944. You will find it dated 29th of June 1865, and addressed to yourself and Mr. Lushington as Government Directors of the Bank of Bombay. In that letter, avoiding the stringency of the Governor-General's enquiry, you

write as follows: "I am directed by his Excellency the Governor in Council to request that you will draw up for submission to the Government of India, and Her Majesty's Principal Secretary of State, a confidential report on the present state of the Bank of Bombay, with special reference to the causes which have induced the present difficulties of the Bank, and which are said to leave little hope of a dividend to the shareholders for some time to come. You are requested especially to note the changes in the direction and Secretary's office, and the period when any changes of system or management took place. This is necessary in justice to your predecessors as well as to yourselves. In the public criticisms on the Bank's management which have been published the difficulties of the Bank have been laid, to no inconsiderable extent, at the door of the former Government directors, and two of them (Messrs. Birch and G. Inverarity) have been denounced by name as arch-speculators in shares. It is only just to the Government directors of past years to show under whose management the mistakes, if any, were committed, which have injured the Bank. Your report should notice whether there are any and what differences between the charters of the three Government Banks in India, and whether any change in these respects is advisable as regards the charter of the Bombay Bank." I suppose that your report of the 30th June 1865 must have been written before that letter?—This letter was written on the 29th of June, as you say, from myself to myself, and the other is dated 30th June; they were probably written simultaneously.

4945. What was the real object of that letter of the 29th June; you did not answer the Governor General's inquiry?—That is quite true.

4946. Was it to substitute another letter and to answer it, instead of replying to the Governor General's demand?—I think that our object in writing the letter of the 30th June 1865 was to put the Government in possession of the only specific information which we were capable of affording them at that time.

4947. I have no doubt about that, but I want to understand the object of this letter of the 29th being written just the day before, when you must have had the other one prepared?—I have no doubt that we had the other one prepared.

4948. Was not the latter written rather as a reply to this letter of the 29th instead of as a reply to the letter of the Governor General, which it was not?—Certainly not. I think that the letter which we wrote on the 30th June 1865 contained the only reliable information which we could place the Governor General in possession of. At that time I think it was out of the power of any human being to state what the effect of this crisis would be.

4949. Then was this letter of the 30th June an answer to the Governor General's letter of the 22nd June; was it intended to be so?—I should say not. I do not think that we intended it to be so.

4950. It certainly is not an answer to the Governor General's letter.—No, and I do not think that it was intended to be so.

4951. Then was it intended to be an answer to this letter which you wrote at the same time?—No; I should say not. Our letter of the 30th June 1865 was written with the intention of supplying the Secretary of State with the information which he had asked for.

4952. What was the letter of the 29th of June written for?—It was written to obtain the information which was asked for, I should fancy.

4953. Then was the letter of the 30th of June an answer to it?—No; I should say not.

4954. Was that letter of the 29th June 1865 ever answered?—I do not think that that letter was ever answered.

4955. We will now take this letter of the 30th June; it states, "In reply to your endorsement No. 583 of this day's date, forwarding for our information, and for any observations we may wish to offer, a copy of a Despatch from Her Majesty's Principal Secretary of State regarding the advances made by the Bank of Bombay on shares of certain Joint Stock Companies, we have the honour to submit the following explanations"?—Yes.

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4956. There therefore seems to have been no hesitation in your mind at that time that there were advances on shares?—We had the idea of "collateral security," I have no doubt, running in our minds.

4957. "The resolution authorizing the adoption of the measure in question was passed on the 12th April last, and was to the following effect."—You will observe that the resolution rescinding the other one is not noticed in its body. I cannot explain that omission. I cannot give you any light on that at all.

4958. The first thing which strikes you in this report is, that it leaves out a most important part of the resolution of the 12th of April.—Quite so.

4959. It leaves out the rescission of the resolution of the 6th of August 1863?—Quite so.

4960. You must have had that resolution before you?—I have already stated that when the question of making these advances was put before us on that 12th of April, to the best of my recollection our attention was not drawn to the rescinding of that resolution.

4961. That I can very easily suppose, but when you were writing this letter you surely took this resolution and copied it?—I have no doubt that I copied the *ipsissima verba* which I received from the Secretary of the Bank.

4962. Did you not take the Minute Book in your hand?—To the best of my recollection, I wrote this letter from Poonah.

4963. Then you did not see the Minute Book?—Certainly not. I did not copy this from the Minute Book.

4964. Then from whom did you get this copy of the resolution?—I should say from the Secretary of the Bank.

4965. Are you able to say whether the Secretary sent up to you this portion of the resolution?—I am not prepared to say so. I should be very sorry to say that he had purposely kept a part of it away, or that it was not sent to us, but I am very much struck by the fact that it was not embodied in this letter; and, as I have already said, I distinctly state that when the resolution was agreed to on the 12th of April, no discussion took place as to the propriety of rescinding the resolution of 1863.

4966. Then I am to understand that you throw the onus of keeping back that passage on the Secretary, and that you are not yourself aware of having done so?—I am not at all inclined to throw the onus on the Secretary. I can only say that, to the best of my recollection, I embodied in this letter the information which I received from the Secretary; but far be it from me to say that the Secretary did not put that passage before me.

4967. Somebody must have withheld it; it rests either with you or with him. If you had made such an important omission, one would think that you would recollect it; do you recollect omitting that passage?—I do not; and I distinctly decline to put the responsibility upon the Secretary, for I consider it a very grave one.

4968. I have already gone through the resolution itself, and it requires no further comment. The letter goes on to state, "On the above date the Bank's balance stood as follows:—

	"Rupees.
"Cash and currency notes at Head Office -	2,06,09,357
"Ditto ditto Branches - -	85,00,246
"Rupees -	2,91,09,603"

—Yes; nearly three millions.

4969. Lying idle?—Yes; so we were told.

4970. Have you any reason to doubt that fact?—Not the slightest.

4971. I quote again from the letter:

"Taking into consideration that the above large amount was [illegible] and that there was much demand for what then appeared to be [illegible] porary accommodation, the directors (*ourselves included*) agreed [illegible] these advances, subject to the conditions above enumerated."

How did it appear that there was only a temporary accommodation required?—We were told, to the best of my recollection, by Mr. Hannay, when he proposed this measure, that these people had their capital invested in these securities, that they could not realize them at that moment, that it was just at a time when a good deal of uneasiness had set in in consequence of the news of the cessation of the war, and we thought that it would all pass off. That is the explanation which was given to us, and on which we unfortunately acted.

4972. Was not that news of the cessation of the war the very news which ought to have made you careful?—Quite so; there is no doubt about it.

4973. The letter adds, "And in doing so, they have not, it is admitted, exceeded the powers of their charter. There was a slight difference of opinion as to the rate at which the land shares should be valued; but as is customary the point was carried by the majority. The directors considered that the above measure would entail little or no risk, and would afford much relief at a time of considerable pressure. A total sum of 41,70,800 rupees was advanced on the security of the following shares." The first item is "39 Back Bay shares"?—Yes.

4974. You said in your letter to Sir Bartle Frere that the number was 36?—Yes.

4975. You had improved upon that, and had found 39?—I did not look at the letter which I had previously sent to Sir Bartle Frere. I accepted these figures as correct.

4976. You did not include in that statement the 80 shares deposited by Kursondass Madhowdass for safe custody, or the 10 shares of Cursetjee Furdoonjee, or the 8 or 10 shares of Byramjee Hormusjee Cama?—No; these were the number of shares consequent upon that resolution.

4977. What was the information which you received from the Secretary as to these other shares?—I have already read you his letter.

4978. I want to have it a little more particularly. Did he say that they were not deposited as security?—I will read to you his letter. He specifies the shares which were taken subsequently to this resolution, and then he goes on to say, "Besides the above, we hold a considerable number of Back Bay shares, which we took into safe custody from those names who have large loans from the Bank on personal security; men such as B. H. Cama, Cursetjee Furdoonjee, and Kursondass Madhowdass. These loans were not nominally granted on shares," and so on.

4979. But were not they *really* granted on shares?—I should say so distinctly now, knowing what I do.

4980. Why did you not sift that expression "nominally"?—I did not suspect anything at that time. I wish that I had.

4981. If you had you would have found that there was an agreement that they should be considered security as much as any other security?—Quite so. I believe that in a great measure this resolution was passed with a view, so to speak, to legalize the past as well as the future. I do not consider that we were at all fairly treated on that occasion. Coming as we did new to the Bank, I think that it was the duty of the Secretary, and of any one connected with the Bank who had known of the previous practice, to inform us of it. It was put before us as a new thing.

4982. You were not informed on the 12th of April that there had ever been a thing of the kind done before?—Certainly not, and I do not consider that we were treated with candour; it was put before us as a new plan.

4983. Your letter goes on to say, "The above shares were taken as collateral security." You did not inquire to what they were collateral?—We were deluded entirely by that term "collateral."

4984. The term itself really means "side by side"?—Yes. I am quite aware of the error which we committed in that respect.

4985. Your letter continues: "Even in the present depressed state of the

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market those of both the Land Companies are considerably above par, the Back Bays being quoted at about a hundred and the Elphinstones at 50 per cent. premium." Do you know why these particular companies were selected?—Simply, I should say, because they represented what were considered at the time the most solvent institutions of the day, and because also, I presume, the parties whom it was intended to assist had invested most largely in those particular shares.

4986. You did not know that Mr. Hannay was mixed up at that time with the Back Bay Company and the Asiatic Bank?—No; I should say that I did not; and looking now at the thing fairly and impartially by the present light, I do not believe that that resolution was proposed by Mr. Hannay with the view of favouring any particular object. I quite admit that it was a most unfortunate resolution, but I think that it was done in good faith. I do not think that there was any intention of favouring any particular company; and I would especially allude to the fact that the most disastrous shares were the Commercial Bank shares, which appear to have been largely advanced upon; and I do not believe that anybody in the direction was specially interested in the Commercial Bank.

4987. Were the shares of the Back Bay and the Elphinstone Companies selected because those were the shares which were quoted highest in the market at that time?—Probably; and because they were the shares which were held in the best general repute.

4988. It is quite clear from your own statement how enormously you had advanced upon the premium of the shares?—Quite so.

4989. You had advanced 41,70,000 rupees upon shares the par value of which was of 22,52,000 rupees?—Precisely. I think that we are entitled to some little palliation from the fact that it was the duty of the Secretary to see that, whenever there was any depreciation in the shares, corresponding security should be taken. I think that that was a matter of detail which we were not called upon to look after. I should like that point to be considered.

4990. Your letter proceeds to say "All advances of this description have for some time past been discontinued." Where did you get that information?—I presume from the Bank officials, and I think that I must have got it from my own knowledge of what took place. Without wishing to quibble upon words, I think that those words "some time" must be taken with reference to the period when it occurred. The whole transaction originated on the 12th of April, and the words "some time" might well apply to a fortnight; and I have looked over the proceedings, and I cannot see that any advances were made for a fortnight prior to the letter.

4991. We have found seven which were actually made in the months of May and June.—I cannot see anything after the 15th of June, and therefore a fortnight would probably meet those words "some time."

4992. There was no loss upon four of those advances on shares; upon three of them there was an actual loss. On the 27th of May there were three advances; one to Dossabhoy Dhunjeebhoy of one lac, another to the Bombay Joint Stock Corporation of two lacs (there was a loss upon that), and another to Manockjee Limjee of four lacs.—As far as my recollection serves me, I do not think that many of these shares were alluded to in the resolution.

4993. But we have the fact.—I consider myself responsible for what appears in those resolutions, unless anything to the contrary appears. If, after the application was taken into consideration, we granted a loan on the merits of the case, independently of all shares, and if the secretary, or the executive of the Bank, took shares in addition, I consider that I cannot be held responsible.

4994. Do you mean to say that you did not know of the existence of those seven cases?—I say that I did not know of the existence of those cases, unless they appear on the proceedings of the Board. I think it is very possible that we may have taken into consideration these applications at the Board; and having taken them into consideration, and granted the applications on the merits, independently of shares, I think that it is very likely that the secretary or the executive of the Bank, (and very properly) did take these shares in addition, but I decline to say that I granted any application for advances on shares, except such as appear on the Board proceedings.

4995. Do any such advances appear on the Board's proceedings?—Yes, I see some here. I have them down in my notes.

4996. Before you made that statement, did you go to the Secretary, did you show this letter to the Secretary before you sent it off?—To the best of my recollection, I wrote it from Poona, and I do not think that I could have had any opportunity of showing it to the Secretary. In the commencement of May we were alive to the imprudence of the measure of advancing on shares I think.

4997. Your letter concludes with the following passage: "Pending an alteration in the charter, steps will be taken to make known to our colleagues in the direction the wishes of the Secretary of State; and we have no hesitation in saying that they will willingly assent to be placed in all respects on the same footing as the Banks of Bengal and Madras." Did Mr. Hannay acquiesce very quietly in this?—Yes; Mr. Hannay, like everybody else, felt that the Bank was then entirely at the mercy of the Government. They were not at all riding the high horse in those days. They had on a previous occasion been doing so; they had wanted to dictate their own terms to the Government, but they were very humble then.

4998. That was when that letter of the Governor General was written?—I see that Mr. Hannay writes: "With respect to the letter of the Secretary of State, we must consider this most tyrannical communication on Thursday next." I cannot be responsible for Mr. Hannay's opinion of what was tyrannical or not. Every one connected with the Bank was in a very humble state of mind about that period; they had been helped out of the mud by Government aid, and I think that you will observe that in a demi-official letter to Sir Bartle Frere, I stated the fact that objection had been taken by the directors to advances on shares, and also that the Bank were willing to be assimilated to the Banks of Bengal and Madras.

4999. There was a letter from the Bombay Government to the Secretary of State of the 8th of July 1865?—Yes.

4999*a*. You, as Secretary to Government, I suppose drafted that letter?—I did not draft that letter, for this reason, that my own conduct was referred to in the matter, and I did not think that it would be becoming in me to sit in judgment on my own conduct. I believe that this letter was probably written by Sir Bartle Frere himself; I certainly did not write it.

5000. That was followed by the answer of the Secretary of State to the Bombay Government. No question arises upon that, except that you say that no specific instructions were given in consequence of that letter?—No specific instructions.

5001. Then follows a letter of the Governor General of India to the Bombay Government of the 13th January 1866, in which he says: "On a full consideration of all these circumstances, and with special advertence to the Secretary of State's Financial Despatch of 2nd June, addressed to your Government, the Governor General in Council is of opinion that an examination into the affairs of the Bank should no longer be delayed, with a view to such a revision of the terms upon which its business has been, and is conducted, as may seem expedient. The Governor General in Council considers that the examination should comprise an investigation, not only into the assets and floating liabilities of the Bank, but into its transactions especially during the past six months." Then he accounts for not having pressed for an answer to his previous letter, in which he much more minutely stated what he wanted, because the Governor in Council had represented the thing as likely to improve.—I think that we all thought so at that time.

5002. He says: "But as the Government of India was subsequently assured, from a copy of a despatch addressed by your Government to the Secretary of State, No. 12, dated 8th July 1865, forwarded with your letter, No. 619, dated 10th July, that the liabilities of the Bank, though unusually large, were not likely to result in heavy loss, and that its difficulties were for the most part of a temporary character, his Excellency in Council was unwilling to press for an immediate inquiry which might have given rise to unfounded alarm and impaired the credit of the establishment.—Quite so.

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5003. The date of that letter is important; 13th of January 1866 is the date when that report was called for?—Quite so.

5004. It is important to know why there was a delay?—I am prepared to state the reason of the delay.

5005. Then comes another letter, of the 17th January, at page 10 in the Blue Book, inculcating vigilant future management?—Yes.

5006. We have already asked you about that, and you say that no further steps were taken?—No, inasmuch as the Government were satisfied that all the direction were fully alive to the danger from what had taken place, and that their eyes were open, and that they were exercising the closest supervision.

5007. Then comes your next report to the Government, which is an answer to that inquiry; that report is at page 30 of the Blue Book, and is dated the 31st of March 1866.—Yes.

5008. You say: "We would in the first place beg to point out that the Government of India, in their letter calling for this information, have, in alluding to what are termed the 'monetary convulsions' that have occurred in Bombay during the past year, apparently mixed up two totally distinct events. The crisis that occurred in June last was a purely commercial one, brought about by the excessive and wild speculation that prevailed in Bombay during the year 1864, and by the sudden intelligence of the cessation of the American war. The December crisis, on the other hand, was occasioned by a return of commercial prosperity, the great demand for cotton, coupled with the introduction of a comparatively novel system of payment by advances, having created a drain on coined silver such as the Currency Department were unable to cope with. The Bank was at this epoch in no difficulty as regards its own affairs." Have not you, and has not Sir Bartle Frere in one of his minutes, raised an entirely false issue?—I think not.

5009. Where does the Governor General say that you were answerable for the December crisis?—I cannot say until I have looked through the letter.

5010. He begins by saying: "The frequent recurrence of financial pressure and commercial difficulties in the city of Bombay has engaged the serious and anxious attention of the Governor General in Council."—We had only had two crises then, namely, the June one and the December one; and the December one, as we considered, was not in any way connected with the Bank of Bombay.

5011. Did the Government of India say that it was?—I think that it is obvious that they did so; we thought so most certainly. We most distinctly understood them to refer to that. They go on to say in the third paragraph on page 9 of the Blue Book, "On each of the occasions above referred to." There were no other occasions except those.

5012. The words are "On each of the occasions above referred to the Bank of Bombay, so far from being in a condition to afford the aid which might reasonably have been expected;" that is to say, they were not able to afford the aid, but they did not say that you had caused the crisis.—They commenced by saying "The frequent recurrence of financial pressure and commercial difficulties in the City of Bombay has engaged the serious and anxious attention of the Governor General in Council;" and then in the third paragraph they say, "On each of the occasions above referred to, the Bank of Bombay, so far from being in a condition to afford the aid which might reasonably have been expected from an establishment which held the Treasury balances, was itself in circumstances of embarrassment." We denied being in circumstances of embarrassment.

5012*a*. Do you mean to say that at this epoch, the Bank was in no difficulty with regard to its own affairs?—We thought so then most certainly.

5013. Did you think that your securities, in which most of your capital was invested, were satisfactory?—Of course I do not think so now; but when I drafted the letter, those securities had, as you heard from Mr. Rob[illegible] terday, been valued by men whose opinion I considered myself bound [illegible] They were the commercial directors of the place, and I confess th[illegible] not have considered myself competent to differ from their opini[illegible] letter to the Government we distinctly stated that that valuation w[illegible]

own, and we gave them to understand that it was annexed to the balance sheet of the Bank, and that we did not attempt to make any valuation of our own.

5014. A great portion of the capital was outstanding at that time, and has never been recovered.—Just so. It was a very smiling landscape in those days, and a very delusive one, unfortunately.

5015. Had you at that time gone into the affairs, or examined the securities yourself?—I had looked over this list of outstandings, and I saw the way in which they were covered, but I decline altogether to accept any responsibility for the data, or figures, of this report. I think that it is stated in the body of the letter that we had accepted the valuation of the commercial directors. I believe that the valuation is a correct one, and I will instance my belief by what I think is as strong evidence as you can have. It so happened at that time that the Secretary of State for India had said that he withdrew the objection to Government directors holding shares in the Bank of Bombay. At that time the shares in the Bank of Bombay were at about par, and the Secretary of State said that we might hold 40 shares, which was equal to 4,000*l.* worth of shares. I considered that statement to be such a correct one that, on the strength of it, I telegraphed home to my friends in England to advance me 4,000*l.* with which to purchase 40 Bank of Bombay shares, believing, as I did, that the capital was then intact. I cannot give a better illustration of my faith in the accuracy of the statement.

5016. In your letter of the 31st March 1866, you go on to say: "With regard to the first occasion, previous to April 1865, loans were granted with an amount of recklessness that appears now to be almost incredible. Not only were credits given to individuals and firms of recognized mercantile position to an extent far in excess of the limit that prudence demanded should be placed on such transactions, but persons who were not even engaged in any ostensible commercial pursuits were accommodated with large sums of money, which could only have been required for purposes of share speculation." That is a very just and correct statement, and it would almost do for our Report.—I have to express my regret now that in writing that, I did not take more blame in the early part of April and May for those advances on shares, which I did not know then would turn out so disastrously. I think that I ought to have taken more blame on ourselves at that time.

5017. You must have gone into this matter, and have got all these facts?—Yes.

5018. Had you examined into these large loans?—I was guilty of looking at the list of outstandings and loans.

5019. You had had a list of outstandings prepared?—Yes; we had had it prepared as far back as June or July, in the shape of a tabular statement.

5020. And I suppose that you had made inquiries as to the credit of these people who had had these large loans?—This is the sort of conversation which took place at the Bank: "How about so and so's loan?" I can specify one instance, namely, that of Cursetjee Furdoonjee. Mr. Stewart would say: "I have heard that he has shipped cotton very largely; he is in a position to pay 12 annas in the rupee, and if he goes on much longer he will be able to pay the whole 16 annas." Before that report was written all the heads of the great native trading community were believed to be perfectly solvent. None of the gigantic failures— the Agra, the Asiatic, the Commercial, and so on—had taken place at that time. I admit that it was an entire delusion, but still there it was.

5021. "Your report continues: "As the gentlemen who were the official directors during the period referred to are not in the country to defend themselves, we have some hesitation in passing judgment on the management, but, as far as we can see, it admits of no justification."—Exactly.

5022. But then you go on to say: "The only excuse that can be offered is that at the time this most wild speculative excitement set in, the Bank had the misfortune to double its capital. Money was very plentiful throughout Bombay; a number of new monetary institutions, under the denomination of Banks and Financials, had sprung into existence, thereby occasioning a good

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deal of competition, and the consequence was that the Bank, looking too much to making a high dividend, and over confident in the experience of the past (it is believed that a sum of 25,000 rupees would fully cover all the losses the Bank ever sustained) employed its capital in a very imprudent manner, and instead of having it available in the hour of need, the great bulk of it was locked up in loans and advances to parties from whom it was hopeless to expect punctual payment." I quite agree with those statements. The only other point to which I wish to call your attention particularly in this report is as to the part in which you contend that you did gather up your resources. On the 30th of June 321 lacs were outstanding?—Yes, I think so.

5023. You say that 79 lacs were realized?—Yes.

5024. And you say that 126 lacs were overdue?—Yes.

5025. What became of the other 116 lacs?—I suppose that they had been renewed.

5026. Did you inquire into those renewals?—No.

5027. That was a very important point?—It was a most important point. I will take the case of Cursetjee Furdoonjee, or the case of any one of these enormous loans. We believed at that time that those people were coming round; there had been an immense rise in the price of cotton, and I confess that that was a matter in which I was guided by the opinion of commercial men.

5028. If you had looked into that matter, I think that you would have seen how very dangerous it was.—I have no doubt that the whole of this report was illusory. I quite admit that. I quite admit that those figures were illusory; but I say that at the time when it was written I did not believe that it was so. We could not foresee those gigantic failures which followed a few months afterwards.

5029. You do not report upon an important fact, namely, that in September and October 1865, you had a great rise in the value of shares, which, if you had availed yourselves of, would have enabled you to have got out with a very slight loss in comparison.—I quite agree with that. I think that that is a great reflection upon our management. I was absent from Bombay for the whole of the autumn of 1865, but I quite concur that in my opinion that is a most serious charge against our management at that time, namely, that we did not realize. But I submit that the question of realizing securities is one upon which Government directors could not possibly give advice. We did not know the state of the share market, and if these people had put shares to any extent into the market, the probability is that the whole thing would have collapsed. I do not think that the Government directors can be chargeable in that respect.

5030. I am not applying it particularly to the Government directors.—Looking to the whole management, I admit that it was a very great blot in our administration at that period, that we did not get rid of the securities, if there was an outlet for those securities.

5031. There was no attempt apparently to take advantage of that very great rise?—No; it would have been a very great benefit to us if we had done so.

5032. Did you know at all that Mr. Donald Robertson and Mr. Blair had been largely engaged in share speculations?—Not at all.

5033. You were not aware that Mr. Donald Robertson himself was holding shares to a large amount?—No. I had not the smallest acquaintance with Mr. Robertson, and knew nothing of his affairs.

5034. You knew nothing of Mr. Blair's previous proceedings?—No. Mr. Blair was with us a very short time.

5035. You were not in Bombay when the share mania took place about June 1864?—No.

5036. You say in paragraph 19 of your letter of the 31st of March 1866 "The operations of the Bank, not only during the past six, but during the past ten months, will, we believe, bear the strictest scrutiny, and there is no prospect of the loss of a rupee on a single new transaction entered into during that period?"—Yes.

5037. No doubt great losses had taken place before that period?—What took place during those six months we must be responsible for, for we do with our eyes open.

5038. In the next paragraph you say, "With regard to the future, the only practical difference between the charter granted to this Bank and that granted to the Bank of Bengal is that contained in section 32 of Bombay Act X. of 1863, authorizing advances being made on shares, and we have reason to believe that the directors would have no objection to its being expunged, as for the last ten months this power has never been made use of."—Exactly.

5039. You will find that there were a great number of advances on shares during that period.—I have the particulars extracted from the minutes, and I cannot see that I was ever present on any occasion when advances were made on shares. I was absent from the commencement of August till the end of the year.

5040. Mr. Norman, who was the other director who signed this report with you, had only just come into the direction.—Yes. I wrote the report, and was responsible for it.

5041. In those months there were a great number of advances on shares. It was a very hazardous statement. Did you make any enquiry of Mr. Robertson before you made it?—To the best of my recollection I sent a draft of my letter to Mr. Hannay for verification as to figures, and I am not certain whether I sent it to Mr. Robertson; I am not prepared to say that I did. I got my figures from Mr. Hannay, and my facts also in a great measure.

5042. Mr. Hannay must have misinformed you immensely. I will give you the number of transactions.—Do those appear on the proceedings?

5043. Some do, and some do not. There were no less than 30 transactions on shares in those ten months.—I think that it is very possible that when those applications came before the Board they never appeared in the form of applications for money to be advanced on shares. I think that it is very likely that they were disposed of on their merits, irrespectively of shares.

5044. No; there were a great many of them on shares.—I am only hazarding that as a surmise. I cannot conceive how any Government directors, having committed themselves on two occasions to this opinion, could have authorized advances on shares. I am sure that I could not have stultified myself to that extent.

5045. You appear to have been absent at Poona at that time. There is the case of Mr. Bender on the 11th of December 1865; had you come back then?—No.

5046. Take the case of Cowasjee Pochajee on the 15th and 22nd of August 1865; were you then at the Board?—No.

5047. You had come back on the 28th of March 1866?—Yes, certainly.

5048. In the case of Hormusjee Cursetjee on the 28th of March 1866, the security of shares was deposited.—Will you kindly refer to the minutes. I believe that I was present in March 1866.

5049. On the 28th of March and the 5th of April 1866 he got two advances on the security of shares?—I do not see them down in the minutes.

5050. Just look at the week before.—The week before is the 19th of March. I see Hormusjee Dhunjeebhoy.

5051. That is not the name.—I do not see those applications at all.

5052. How could that loan have been granted upon shares without being brought before the Board?—I decline all responsibility for it. The understanding was that all business should be brought before the Board, and if it was not brought before the Board, I decline all responsibility for it.

5053. Why did you not put upon the minutes that all business was to be brought before the Board. If you had done so you would have protected yourselves?—I think that it was a very great mistake our not doing it.

5054. At the very time when you say that that verbal arrangement was come to, you had a discussion, and it could have been added to that minute then if you had only acted with a little firmness?—I was very careless not to have it put down.

5054*a*. You had something put down, but not that?—Exactly.

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5055. I find that this report to the Governor General is dated 31st of March 1866?—Yes.

5056. I find that it was not sent to the Governor General at that date; for on the 12th of May he says: "The Governor General in Council cannot but express his regret and surprise that any delay should have occurred in the receipt of this report, on the result of which the character of the Bank and its future arrangements with the Government so greatly depend. His Excellency trusts that no further time will be lost in furnishing the information so urgently required." At that very moment you had made your Report?—We had got into another difficulty then.

5057. Then on the 19th of June 1866 the Governor General says, "Meanwhile his Excellency in Council awaits with anxiety the long-expected report on the affairs of the Bank."—Yes.

5058. That report was asked for on the 13th of January 1866?—Yes.

5059. You actually had it prepared and ready to furnish on the 31st of March 1866?—Yes.

5060. And yet on the 19th of June 1866 the Governor General had not had it?—Yes.

5061. What explanation have you to give of that very great delay?—I can only say that it was laid before the Bombay Government on the date which it bears; and I believe that the Blue Book contains a good many minutes which were attached to it by the Government.

5062. The Governor writes a minute which is dated 29th May 1866; probably he began to write his minute after he got the letter of the 12th of May from the Government.—I think that on that point, perhaps, Sir Bartle Frere will be able to tell you that he was in very frequent demi-official correspondence with Sir John Lawrence on the subject. I really cannot say why the members of the Government delayed minuting on the letter; our letter was placed before them on the particular date which it bears.

5063. Are you aware whether there is any demi-official or confidential correspondence other than what is contained in this Confidential Appendix?—I have not read that Confidential Appendix.

5064. You perhaps are not able to say, or feel a little delicacy in saying, what was the reason of this great delay?—No, I have no delicacy about stating it.

5065. I see that the Governor wrote his minute on your report upon the 29th of May 1866, and that Mr. Ellis wrote his minute on the 11th of June.—They got into a sort of currency discussion at that time, and they mixed up the two things.

5066. On the 8th of September 1866 there was the report of a committee on the Bank losses, which is printed at page 58 of the Blue Book?—Yes.

5067. Will you tell me how that committee came to be appointed?—Yes. It so happened that Mr. E. F. Harrison, who was an officer of the Bengal Government, and who is now at the head of the Financial Department, was at Bombay on duty connected with his account department. We were aware that he was held in very high estimation by the Government of India, and they probably had the fullest confidence in him. By that time we had had three separate valuations of the assets of the Bank. There was the original one in June, in which the possible losses were estimated at 30 lacs; there was the subsequent one in December, in which that estimate was adhered to; and there was the one at the half-yearly meeting, in which the loss was put down at an additional amount of 50 lacs; that was after the great failures. At that time there was still a great deal of distrust existing in Bombay, and a great number of letters appeared in the papers, and there was a good deal of doubt in the public mind as to whether even that report, placing the losses at 50 lacs additional, making in all 80 lacs, was a correct report or not. The Government of Bombay believed that the directors who were then in office were as competent men as could be obtained to make the valuation. However, I believe that I made the suggestion to Sir Bartle Frere. I said, "The Government of India are constantly asking for information from us as to the assets and liabilities of the Bank."

5068. You had ceased to be a Government director?—Yes; and I said, "It

seems to me that we cannot do better than avail ourselves of the assistance of Mr. E. F. Harrison, and we will associate with him two gentlemen, whom we believe to possess the greatest amount of confidence in the community." Sir Bartle Frere acquiesced in that arrangement; he applied to the Government of India for the services of Mr. Harrison for that particular duty; he received the required sanction, and that Commission was appointed. The Hon. Mr. Hunter was associated with Mr. Harrison.

5069. What Mr. Hunter was that?—I forget the firm to which he belonged; but, at all events, he was supposed to be entirely free from speculation of all sorts, and his firm was supposed to be one of the few which had not speculated. There was also a native appointed, Dinshaw Manockjee.

We were most desirous to get a correct idea of the assets, and that Commission was appointed for the purpose. We did not want to throw discredit on the Bank directors, and to show them that we doubted the accuracy of their report.

At that time we had in the direction men in whom the Government had the fullest confidence, and we suggested confidentially to the directors that we proposed to make this additional inquiry into the assets; but we said, "We would rather that this proposition should come from you, and not emanate from us, inasmuch as we do not wish it to be thought that we cast any reflection on your management, or on the accuracy of your estimates. Therefore, if you will apply for this Commission, we shall be prepared to grant it." And I believe that the Commission was actually appointed by the Government, but nominally at the request of the directors. That is my recollection of the matter.

5070. Had not the Government of India anything to do with the nomination?—Nothing whatever; it was suggested by us. At that time I was most anxious to get anything approaching to a reliable estimate. There was the report of these directors in the summer of 1866, and there were still doubts about its correctness on the part of the public, and we thought that that was the most satisfactory way of assuring the public that we had really ascertained the worst.

5071. That Commission added to the former estimates of loss a sum of 34½ lacs?—Yes.

5072. Making upwards of a million of capital?—Yes; and there is a million since then. I am sure that you must agree that it was impossible for any one at that time to have arrived at anything like an estimate that could be relied on. I do not know what course could have been adopted. It shows that we were most anxious to arrive at the truth.

5073. Did you draft the next letter; I see that it is signed "J. King, Acting Under Secretary to Government Bombay." It is at page 59 of the Blue Book?—I did not draft that letter. At that time there had been so much abuse and obloquy cast on the directors, that it was impossible to get any respectable people to serve as directors; and we were obliged to act very tenderly towards them, or they would have thrown up, in a body, the office of director, which was not by any means an enviable office.

5074. In that letter the Government of Bombay compliments both the directors and the committee; and then the Government of India, a few days afterwards, on the 3rd of October 1866, compliments nobody; and there is a particular passage to which I wish to call your attention. It is the sixth paragraph of the letter of the 3rd of October. "The wide discrepancy between these several estimates, framed during a period not exceeding six months, renders it more than ever necessary to insist upon the production of the detailed information which the Government of India called for in the 15th paragraph of their despatch to Bombay, dated 13th July last, No. 1456, but which, notwithstanding repeated reminders, has not yet been furnished."

5075. Was the form of the tabular statement which you sent to the Bank of Bombay on the 24th of October 1866 drawn up in accordance with the minute particulars asked for by the despatch of the 13th July 1866?—No.

5076. Whose handwriting is that? (*handing Exhibit marked C. 5. to the witness.*) Is it Mr. Claude Erskine's?—Yes; he drew up the form. The

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Government of India, to the best of my belief, never sent any form at all; that form was entirely drawn up by Mr. Erskine.

5077. How was it that such an important inquiry as this, asking for detailed information, should have been cut down to such inconceivably small limits as are comprised in those headings?—My belief is that the Government at that time were of opinion that it would be most inexpedient and unadvisable to furnish the Government of India with such details as they required. I have no doubt that Sir Bartle Frere will be prepared to tell you why he acted in that way.

What the Government of India wanted us to do was to send almost a transcript, I believe, of all the books of the Bank of Bombay over to them, or certainly information which the Government of Bombay considered that it would be highly inexpedient to let out from the Bank. I have no hesitation in saying that to the best of my recollection the Government of India never called for that information in any specific tabulated form. I am certain that this form is in Mr. Erskine's handwriting, and I believe that he prepared it as a sort of compromise for the Government of India.

We believed that in sending the report of the special Commission, of which I have spoken, to the Government of India, we had put them in possession of everything which it was material for them to know. They wanted to know precisely what were the assets and the liabilities of the Bank. We had to the best of our power obtained that information, in the best form, and in the best way that we could, and we furnished it to them without any delay.

5078. Do you mean to say that it was anything like furnishing a complete statement to the Governor General of India, to confine it to sums of above three lacs?—I am not prepared to say anything about that statement, except that I believe the statement to be quite a useless one, and I never expected that they would get any information from it. The information which we thought that we could give the Government of India was the information obtained by a Commission at which one of their own officers had presided, and who had gone round to Calcutta, and could have told them anything which they wanted to know.

5079. Was it considered that the frame of that heading would prevent any statement or disclosure of bills which had been renewed over and over again?—I admit that I think that that statement is quite a valueless one for any practical purpose.

5080. You had by that time some experience as a Bank director?—I was out of it at that time.

5081. But still you had some experience as a Bank director?—Quite so.

5082. I suppose that you were fully competent at that time to have told the Government that the statement would be utterly useless to the Government of India?—It was about the time when the charter was to be renewed, and they kept on saying, "We must have this."

5083. I think very properly.—The Government of Bombay did not think so. I believe that they thought it an improper request; that is, in my opinion, the reason why they did not comply with it. I am only an executive officer, and you will probably hear that from Sir Bartle Frere; but my impression is, that they considered that it would be inexpedient to expose the affairs of the Bank by any statement to be sent by post two thousand miles.

5084. They either wanted to make a statement, or they did not; if they wanted to make a statement, surely they ought to have made a correct and full one; ought they not?—Certainly.

5085. And if they intended to send a valueless one, they had better have sent none?—I do not say that they wanted to send a valueless one, but I only say that this statement was not calculated to inform the Government of India.

5086. Or to inform any one?—No.

5087. The letter of the 13th of July 1866 from the Government of India to the Government of Bombay is printed at page 27 of the Blue Book, and it contains the following passage:—"That there may be no further misapprehension on this subject, the statement which his Excellency the Governor General in Council requires is comprised in the following particulars:—

" 1. The banks, firms, and individuals to which the Bank is under advances.
" 2. The dates and amounts of such advances.
" 3. The securities upon which they have been made, and the sums advanced upon each security."—Yes; the Government wanted us to send them a complete statement.

5088. If you had done that you might probably have saved the expense of this Commission?—Very likely; but I do not see how we could have done it without appointing some one specially for the purpose of doing it. They wanted every particular of the Bank to be sent to Simla or Calcutta; and the Government of Bombay considered it inexpedient to do so.

5089. But did the Government of Bombay write and say so to the Government of India?—I believe that communications of that sort were made by Sir Bartle Frere to Sir John Lawrence.

5090. You would rather leave it to Sir Bartle Frere to speak to that point?—Yes. As an executive officer of the Government it was my business to do what they told me. I am merely giving you my conjectures and reasons why they did not do so. I should like it to be taken down that it is mere opinion on my part that that was the motive which actuated the Government of Bombay, namely, that they considered it to be inexpedient.

5091. The demi-official correspondence which we shall have is, I see, referred to in one particular place, at page 95, of the Blue Book; the reference to it is in a letter from Mr. Lushington, of the 15th of November 1866, in which he says, "In reply to your demi-official communication dated 3rd instant, I am directed to inform you that the Governor General in Council will be prepared to take into consideration the expediency of renewing the agreement with the Bank of Bombay, on receipt of the information called for in July, of the liabilities of the Bank, and of the proposed bye-laws of the Bank for the conduct of business; the liabilities above referred to need not embrace details relating to the names, &c., of the persons concerned."—Quite so.

5092. Do you mean to say that that justified the Government in restricting that tabular statement to sums above three lacs?—This letter was never addressed to the Government at all; they had a habit of addressing their own officers (of whom Mr. Lushington was one) direct; and this was a letter addressed, as you will observe, if the Blue Book is accurate, from Mr. E. H. Lushington to Mr. J. L. Lushington; it was not addressed to the Government of Bombay at all.

5093. Do you think that the demi-official correspondence did authorize the Government in any way to reduce the returns simply to sums above three lacs?—I would rather not commit myself to any opinion upon that point. I can only state that the information called for by the Government of India was not furnished, and I would rather confine my answer to that point.

5094. I understand you to say distinctly, that that return of sums above three lacs was asked for by the orders of the Bombay Government, that in fact it was drawn up by Mr. Claude Erskine, a member of the Government of Bombay?—Yes, it is in Mr. Claude Erskine's handwriting; he was a member of the Council of Bombay.

5095. The next point to which I will take you relates to Mr. Brown's release, and I will refer to the Board minutes of the 6th of July 1865. You recollect that the secretary was authorized at his discretion to sign any deeds or resolutions which might be agreed to by other managers?—Yes.

5096. Do you recollect who proposed that resolution?—I cannot charge my memory with stating. I should think, most probably the chairman; he generally took the initiative.

5097. Did you oppose that resolution?—I did not; I acquiesced in it.

5098. Do you think that it was prudent to give the secretary such extensive powers as that?—I thought so at the time, and I am not prepared to say that I do not think so now; all these meetings of creditors required very prompt action to be taken, and if you had confidence in the integrity and intelligence of your executive officer, I cannot see why he should not be competent to decide what was best for the interests of the Bank.

5099. Do you not think that it would have been better and safer for you to

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have said that he should attend the meeting and report to you?—To the best of my recollection, business of that sort required to be very promptly dealt with; they wanted to get rid, as quickly as possible, of all these doubtful people, and to put their affairs in as straight a condition as possible, and my impression is that very prompt action was required. It was not a matter which you could, with any degree of advantage, refer to a body of men, but if you had confidence in the integrity and intelligence of your executive officer, he was a proper and fit representative to act in your behalf in such matters; and I must say that, looking back now, I do not think that it was a mistake. Of course it is a matter of opinion.

5100. It is a matter of opinion. I should have thought it very much wiser to let him report to you. That was Mr. Lidderdale's opinion, was it not?—Yes; and if you will allow me I should like to state my reasons for differing from Mr. Lidderdale. I think that I can put in a connected form the whole story of Mr Brown's release. Mr. Brown was being hunted from two opposite sides of India. The attention of Sir Bartle Frere was first directed through the newspaper to the fact of Mr. Brown's enormous liabilities, and to the fact of his having obtained this release. He extracted the part of the newspaper, and he wrote as follows:—"I would beg the Chief Secretary to draw the attention of his brother Government directors of the Bank of Bombay to the letter to the 'Times of India,' of which a copy is annexed, and to submit a memorandum, such as can, if necessary, be sent to the Secretary of State on the subject of the release said to have been given to a debtor to the Bank." That was when Sir Bartle Frere's attention was first called to Mr. Brown's case. I was quite aware that Sir Bartle Frere objected most strongly to the action which the Government directors had taken in the matter in acceding to Mr. Brown's release, and therefore, in submitting the explanation of the Bank, I considered it fair to my brother directors, although I was no party to Mr. Brown's release myself, as I was not present, to state how I had acted in the matter, and I wrote as follows:—"In submitting this correspondence for the consideration of the Honourable Board, I beg to explain that I declined to support Mr. Lidderdale's proposal, dated 13th July last, because I considered it too indefinite, and because I considered it would only hamper the Secretary, without effecting any good. At the same time I informed Mr. Lidderdale I should be happy to support any proposition he might bring forward for defining and limiting the Secretary's powers with reference to these meetings of creditors. On the occasion of Mr. Lidderdale's specific proposition to refuse Mr. Brown his release, I was absent in Poona. It is difficult, after the event, to hazard an opinion how one would have acted had one been present, but in justice to my brother Government directors, I think it right to state that in all probability I should have done as they did. It was, I believe, clearly ascertained that Mr. Brown had not withheld any assets at the time the release was granted to him, and that no possible advantage to the Bank could have been derived by the institution of legal proceedings. The main and original mistake was, as it seems to me, ever granting the loans."

That was my view of Mr. Brown's release; and, as I stated at the time, the reason why I did not support Mr. Lidderdale's proposal was that I considered that it was not fair to give to an officer indefinite instructions unless there were special reasons.

5101. If there were special reasons he was to refer the matter to the Board?—Who was to be the judge of what the special reasons were? He was called upon to act in concert with a great number of representatives of other banking institutions.

5102. Mr. Brown's failure took place in the first week of July 1865, and his deed of release is dated the 15th July?—Yes.

5103. His liabilities are 43 lacs, and his assets are 14,000 rupees. He said 25,000; but that statement is corrected by his own trustee, Mr. Robertson, who said 14,000 rupees were realized. Can you believe that justice was done in that hurried way?—I believe not. I think that it was perhaps a mistake granting that release to Mr. Brown. With regard to Mr. Brown's liabilities, no release was granted to his partner, Mr. Best; and if any creditor wished to have the matter sifted in the Insolvent Court, there was no reason why Mr. Best

should not be proceeded against. Brown and Best, I believe, were liable for all the three loans.

5104. No; they were only jointly liable for one of the three loans. Mr. Best was not liable for the other two. Mr. Lidderdale raised the question as to giving such large powers to the secretary, and the point is, whether you should not have adopted something more definite. For instance, you might have moved an amendment upon his motion to the effect that the secretary should report all these cases to you.—I certainly think that that would have been better. I suppose that was my reason for not supporting Mr. Lidderdale upon that occasion. I say in my letter, "At the same time I informed Mr. Lidderdale that I should be happy to support any proposition he might bring forward for defining and limiting the secretary's powers with reference to these meetings of creditors."

5105. You say that you were not present at the meeting?—No; I was not responsible for Mr. Brown's release.

5106. Did you inform yourself of the grounds upon which the directors thought it inexpedient to let Mr. Brown go through the Insolvent Court?—I say that it was, I believe, clearly ascertained that Mr. Brown had not withheld any assets at the time when the release was granted.

5107. Do you know the reason why it was thought by the directors inexpedient to let Mr. Brown go through the Insolvent Court?—No.

5108. You never heard that they considered it impolitic that the public should know that such loans were made with the money of the Bank?—No. I was very anxious about this matter of Mr. Brown's release. I did not wish to screen myself from responsibility, and from the blame which I knew would attach to my brother Government directors, and therefore, in submitting the case of Mr. Brown to the Government, I placed before them the minute which I recorded on a similar occasion, when there was a wish to release Mr. Taylor. I said, "I think the best plan will be to reconsider this question at a full meeting of directors." That was with respect to Mr. George Taylor's release. "The main and, indeed, only point which it seems to me we have to consider is the course that will be most conducive to the interests of the Bank. I submit it is no part of our duty to put ourselves forward as the censors of commercial morality; and proceed against these men simply with a view to ensuring their punishment. If, therefore, it can be satisfactorily shown that the Bank is likely to recover more by private arrangement than by legal procedure, I would most certainly adopt the former alternative. In deciding this point I quite concur with Mr. Lushington that we should not be deterred by a fear of exposing our own bad management."

I had no apprehension with respect to our own bad management.

"Whatever course may be adopted I beg most strongly to record my protest against any different treatment being shown to different individuals similarly situated. Messrs. ———" (there is a blank here, but the names are Messrs. Taylor and Diver) "are, I understand, jointly our debtors, and whatever steps are taken against the one should be taken against the other." There was a proposal to release Mr. Taylor, and, I believe, to consign Dr. Diver to gaol, or not to release him.

5109. Then this case was brought before the Board and was fairly discussed, but it was not so in the other case?—I thought that it was fair to read that.

5110. I have now to call your attention to the tabular statement of Mr. Brown's debts, which was sent to the Government of India. I believe that it was prepared in the Bank of Bombay?—I do not think that it was.

5111. We have distinct evidence that it was.—I think that that evidence is erroneous.

5112. Who prepared that statement?—I believe that I prepared it from Mr. Robertson's letter.

5113. Mr. Robertson's letter agrees verbatim with the statement?—Yes.

5114. Did you enquire into the facts and dates?—No.

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5115. You simply made up the tabular form from that letter?—Yes; I had no reason to believe that there was any concealment of any sort.

5116. I suppose that in following that letter you thought that you were telling the Government what the loans originally granted by the Bank of Bombay were?—It never occurred to me to have any mistrust; there were the three transactions put in the order of the amount.

5117. But unfortunately they are in the reverse order of date?—Yes.

5118. So as to look as if the Bank was increasingly cautious instead of increasingly reckless?—I do not think that there was any intention of that sort; it never occurred to me at the time, and it does not occur to me now.

5119. You did not know that 45,000 rupees was not the original sum granted?—No; I thought that it was a more convenient way to send the information to the Government of India in a tabular form.

5120. You exercised no scrutiny yourself into the matter?—No.

5121. You adopted Mr. Robertson's letter verbatim?—Yes.

5122. Are you prepared to say that that tabular form was prepared by you?—The heading is, "Statement showing the several loans granted by the Bank of Bombay to Mr. Brown, the nature of the securities by which they are covered, and the value of such securities at the present day." I prepared that heading myself.

5123. Then you, I suppose, thought that they were the sums originally granted?—I had no suspicion about the matter, and I cannot say that I have any now. I do not think that there was any intention to mislead.

5124. Here is the evidence of Mr. Clarke; he says most distinctly that he prepared the form.—My recollection is that I made the heading of that tabular form.

5125. It is extraordinary that he should have volunteered that information?—Yes; especially of a criminating character.

5126. What is the meaning of this addition, "N.B. This statement was prepared on 10th March 1866." You first sign it, "F. S. Chapman, Chief Secretary to Government;" why do you then put that *nota bene*?—Because it was not sent to the Government of India till 1867, and I wanted them to know that it was prepared in March 1866.

5127. At page 113 of the Blue Book, in your letter to Mr. Lushington of the 16th of March 1867 you say, "The foregoing will show the Governor General in Council the view taken by the Government of Bombay in this case; the opinions were recorded long ago, and it seems that no useful object would be attained by now prosecuting the subject further. I am in conclusion to apologize for the delay in replying to your letter." It appears that the Governor General sent for that statement on the 10th of February 1866?—Yes.

5128. And it was more than 13 months before he got the letter?—Yes.

5129. Can you explain that?—Yes. It was my duty as Secretary to draft letters for the approval of the members of the Government. I drafted a reply to the Government of India, and placed it before the members of the Government on the 13th of March 1866, and that statement was not returned to my office till the 3rd of March 1867.

5130. That was not the usual way of doing business in Bombay, was it?—I do not think that we can be found fault with for want of promptitude, but as to this particular occasion I dare say that you will have an explanation. My explanation is that the letter was placed before the Government in March 1866, and was returned to me in March 1867; there was no delay on my part.

5131. Did not you ever remind the Government of it?—No; I am sorry to say that I did not, although it was my duty to do so. We thought that the whole thing had been done with. The members of the Government recorded very strong opinions, implying considerable censure upon our conduct with regard to Mr. Brown's release. The inquiry emanated from the Governor himself, his attention having been drawn to the newspaper report.

5132. Can you explain to us how there was so great a delay in the transfer of the Treasury balances at the branches established by the Bank?—I cannot tell you that; I think that the Bank wanted to get better terms, and that a great deal of correspondence went on.

5133. Did not you write to the Governor General to get leave to transfer these balances?—I think not, that I think took place before my time.

5134. After May 1865 almost all advances made by the Bank were brought before the Board, or the weekly Committee, were they not?—They were brought before the Board, that was the understanding.

5135. What was the case with renewals?—I think that we trusted entirely to the executive of the Bank as to renewals.

5136. That was a very important duty?—It was.

5137. Many of these bills have been renewed over and over again?—Yes, I think that I may say that we trusted generally to the executive of the Bank to retrieve the errors of the past, and we contented ourselves very much by seeing that no new bad business was done.

5138. You were aware that there were loans on personal security merely, even in your time?—I should like to see them.

5139. Do you not remember Mr. Lushington disapproving of one particularly, namely the one to Cursetjee Hormusjee Chinoy. There is a discount minute of 11th May 1865 upon his application?—I do not think that I was present on that occasion.

5140. (*The President, looking at the Exhibit A.* 70.) Mr. Lushington strongly objected to lending money on personal security; I wish to know what part you took in it. Is there a minute there of yours? You agreed with the president, Mr. Hannay, on that occasion as to lending money upon personal security?—I did.

5141. Cursetjee Hormusjee Chinoy's application was No. 2 on the minutes. Mr. Lushington raised the discussion, and said that he thought that all the great losses had been incurred in loans on personal security. He says: "I would grant no loans on personal security only." Then Mr. Hannay says: "Cursetjee Hormusjee Chinoy is an old constituent, and has always been considered a good man. I would discount his draft." Then Mr. Brown says: "I agree with the President on applications 1, 2, and 4." Premchund of course agreed. He says: "I agree with Mr. Brown. Application 5 is good also." Then Mr. Lushington objects, and Mr. Brown says: "It is true that credit is for a time severely shaken in Bombay, but I cannot agree with Mr. Lushington that on these accounts all loans on personal security should be refused; such a policy would surely precipitate a panic, and recoil tenfold on the Bank itself." Then you wrote: "I agree with the President in cases 1, 2, and 3, and will adopt the course suggested by Mr. Brown in case No. 4." That was a late period for your faith in personal security to remain unshaken?—Those people were very good people, the name of Premabhoy Hemabhoy was a historical name in Western India.

5142. But No. 2 is C. H. Chinoy's?—Yes.

5143. Did you sign the monthly returns to the Government?—I should like to see them.

5144. They do not refer in the headings to personal securities only (*Exhibit A* 25 *a*, *was shown to the witness*)?—They were published in the Government Gazette, I believe.

5145. The information was such as hardly to call the attention of anybody to the fact that loans were going out on personal security, the words being merely "other securities."—Yes.

5146. I will call your attention to the loans on landed security. There is the case of Dossabhoy Merwanjee & Co., which was in your time. If you look at the Board minute of the 17th of May 1865, you will see that you were present, and that you referred that matter to the solicitor?—Yes.

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5147. The directors granted them three lacs?—Yes.

5148. Was there any discussion at the Board on that day, namely, the 17th of May 1865? The Bank had first of all granted them one lac on the 24th of February 1865, that was before you were on the direction. The order was passed on the 17th of May that they should have three lacs if the solicitor was satisfied with the security, and if the current loan was paid off. It never was paid off, but on the 23rd of May the Bank granted them two lacs, and on the 9th of June one lac more.—I see that on the 17th of May a loan of three lacs was made to Dossabhoy Merwanjee & Co., and the terms on which it was made were the condition that the Bank's solicitor should be satisfied with the security; we left it entirely to the solicitor.

5149. Was there any discussion at the Board upon the matter on that day?—I do not remember it.

5150. Did anybody refer to the 34th Section of the Act, which says, "nor shall they make any loan or advance on the mortgage or in any other manner on the security of any lands, houses, or other immoveable property, or on the title-deeds relating thereto"?—I do not think so, but I observe that at this Board meeting we required the solicitor to be satisfied that it was in order; the object of the loan was to pay off current loans.

5151. Was there any discussion upon the legality of such a transaction?—I presume that there must have been some doubt, or else no reference would have been made to the solicitor.

5152. Was your attention called to the terms of the Act?—I suppose so.

5153. What was the doubt about it?—I cannot call to mind the particular circumstances, but I apprehend that, unless there had been some question, we should have disposed of the matter without reference to the solicitor.

5154. I have no doubt whatever that if the Bank had lent a man a certain sum of money upon a promissory note, and if in the next year he had come and said, "I cannot pay you, but here is my land," the Bank might have taken the land as security, they not having lent the money upon it; but in this case they actually lent money upon land at the time when they took the security.—Was it beyond the amount required to pay off the current loans?

5155. Yes, the amount required to pay off the current loans was only one lac, and you lent three lacs.—I cannot explain it at all, but we evidently had a doubt in our minds. Latterly the Bank became a sort of pawnbroker; we had ships and land, and everything which we could lay hold of.

5156. Supposing that you have an antecedent debt, you may take any security you like, but here is the actual lending of money upon a house.—We referred the matter to the solicitor.

5157. Do you remember a letter being written by the Government of India on the 11th of July 1866, calling for particulars as to the loans to Shapoorjee Dhunjeeboy and Atmaram Madhowjee? Do you remember Shapoorjee Dhunjeebhoy, he was the brother-in-law of Rustomjee Jamsetjee Jejeebhoy?—Yes.

5158. He had a large loan, and passed through the Insolvent Court, and there was a large loan of two lacs to Atmaram Madhowjee. The proceedings in the Insolvent Court attracted the notice of Sir Bartle Frere, and he wrote a letter to the Bank to ask how such loans could possibly have been made, and they said, "Let it stand over till Mr. Chapman returns." The following is the minute of 31st July 1866: "Read the following letter from Government regarding the advances made by the Bank to Atmaram Madhowjee and Shapoorjee Dhunjeeboy, No. 744 of 1866:—Financial Department, Bombay Castle, 26th July 1866. To the Secretary and Treasurer, Bank of Bombay. Sir, I am directed to request you will, with the permission of the directors, favour Government with the following information with regard to advances made by the Bank to Atmaram Madhowjee and Shapoorjee Dhunjeeboy insolvents, statements purporting to represent whose liabilities have appeared in the newspapers. First, the total amount advanced to each. Second, the date on which such advances were made, together with the names of the directors and secretary at the times. Third, the nature of the securities on which these advances were made. Fourth, the authority on which they were made, *i.e.* whether on that of the full Board, or on that of any individual director. Fifth, the total amount of loss that the

Bank has sustained by these advances. I have, &c. &c. Signed, J. King, Acting Under-Secretary to Government. Resolved, that the consideration of a reply to this letter be deferred until Mr. Chapman, Chief Secretary, has been communicated with on the subject, he being expected in Bombay on Friday next, the 3rd instant."—I do not remember any communication being made to me about it.

5159. The Government surely would insist upon an answer?—Yes. We should have had it in our list of unanswered letters, and should have called for it.

5160. I do not find that an answer was ever sent. Was this draft ever sent (*handing a document to the witness*); were you ever consulted about that? Is that a draft of the letter?—This is a draft apparently of a letter from the Bank to myself. I do not recollect ever receiving this letter, and I do not know anything about the draft.

5161. Upon that occasion the Government seem to have been awake, and to have put some very sensible questions. You do not recollect what was eventually done?—I do not.

5162. Will you look at the proceedings of the 9th of November 1865 on the Board minutes. You were not present, I think, at that meeting?—I was not.

5163. Did that letter ever get to the Government?—I presume that it did.

5164. Was not your attention struck with the enormity of such a statement as that?—It certainly would have been I think. I am not quite certain whether at that time this delusion with regard to collateral security still existed, but I confess that this letter is incomprehensible to me.

5165. It is as follows:—

"9th November 1865.—The Secretary, Government Financial Department, —Sir, I have the honour to acknowledge your endorsement No. 922, of 26th October, enclosing copy of a communication from Sir Charles Wood. I am requested by the Directors to say in reply that it appears to them the Secretary of State has either been much misinformed relative to the transactions of the Bank of Bombay, or else that he has quite misunderstood the information supplied. The Bank of Bombay has never advanced money directly on shares; but during the trying crisis that occurred in the early part of this year, the times were so exceptional, that the Directors considered it prudent, seeing so much money was lent on personal security only, to obtain as much collateral security as possible when granting loans." And the last paragraph is, "With reference to the alteration of the charter, this is a matter over which the directors have no control; *but, seeing that the clause referred to has never been taken advantage of*, the Directors do not see that any charge is either necessary or desirable."—Yes.

5166. It appears to me to be about the most monstrous statement which I ever saw in my life. Did it attract your attention when it came to you?—I cannot say about that. I wish that this letter had been traced to us in the Secretariat, but in the absence of the original letter I cannot say what action was taken upon it. I must say that it struck me as a very extraordinary letter when I read it the other day.

5167. You had actually taken power, by resolution on the 12th of April 1865, to lend money on shares?—Yes, I think so now; but I believe that in common with others we were under the delusion that we were not lending on shares.

5168. If you do not defend the letter, of course I can say nothing more.—I have nothing to say in defence of it.

5169. You took your seat at the Board on the 15th of March 1865. What was the practice with respect to the branches at that time; have you any recollection?—Not the slightest. I do not think that we knew anything at all about them.

5170. I suppose that their affairs did not come before you till the panic, and that then you began to look after them?—No.

5171. What was done then?—In April 1865 I think letters had been written restricting them.

5172. In April you told them not to lend beyond 20,000 rupees, and in May you told them to send up all their available cash balances?—Yes.

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5173. Do you remember having any investigation into their affairs then?—No.

5174. Was none ordered at that time?—Not to my knowledge.

5175. What was your view of the Bank's affairs generally. How do you think that the affairs of the Bank were conducted after you had passed the resolution of the 4th of May 1865?—I did not trouble myself as I am afraid, perhaps, I ought to have done, with respect to looking into the executive detail of the Bank. At that time we thought that all persons connected with the Bank, the directors, the secretary, and everyone else, were fully alive to the very narrow escape which we had, and we thought that every sort of precaution was being taken to prevent bad business being done.

5176. Were not you extremely anxious and nervous about the Bank?—The whole business has occasioned me more anxiety than anything that I have ever had to do with in my life.

5177. Were not you always going to the Government about it?—Most decidedly I was.

5178. Were not you considered nervous?—No; I should not say that I was. I think that we were all fully alive to the great danger which we very narrowly escaped. We thought that we had got into smooth water decidedly, and that we were sailing away very pleasantly and comfortably.

5179. If we have heard that you were very nervous, and were always going to the Government, and saying that you thought that things were going on wrong, and that you were not satisfied, and that they thought you too nervous, that is incorrect information?—I should say so, decidedly; and I cannot take credit to myself for having been a bit wiser than my neighbours.

5180. What was the state of the Government at the time; were they anxious?—Decidedly. I think that to Sir Bartle Frere and Mr. Ellis this Bank was an unceasing source of anxiety.

5181. It was a subject constantly before them?—Most constantly before them.

5182. Were you communicated with at all, after you left the Bank, about its affairs?—Yes. I used to hear from Mr. Lushington, and I used to hear from Mr. Charles Chapman, I think.

5183. Were you communicated with, with reference to the large loan to Premchund?—No. It so happened that, as I think, I left for Mahableshwur some days before that loan came on.

5184. You did not hear of that loan at all?—Not until afterwards.

5185. You were not consulted at all about the Asiatic Bank transaction?—No.

5186. Is there any further information which you can give us?—I think that it was our misfortune (speaking individually for myself and for Mr. Lushington also) to enter the Bank at a most precarious time. I believe that we all acted for the very best, and I am certain that there was no want of zeal and activity on our part. For myself I can say that it was an unceasing source of worry and anxiety to me.

5187. During the time that you were connected, or before you were connected with the Bank as Government director, did you receive any allotment of shares?—Certainly not while I was a Government director.

5188. Had you received any before?—Yes. Eight months before I joined the Bank of Bombay I received 30 shares in the China Bank.

5189. Did you receive anything else?—I received some shares in 1863, which I believe I hold now. I received 60 shares in the Western India Hotel Company, which I hold. I took those shares because I believed that an Hotel was very much wanted in Bombay.

5190. Those two allotments, I should think, did not encourage you to go on?—No. I do not wish to take credit to myself for not having received allotments, but I wish to explain that I came down to Bombay after all these good things were given.

5191. You were not in Bombay at the time?—No.

5192. Did you ever enter into any commercial speculations, or any speculations of any sort, whilst you were a director of the Bank of Bombay?—Certainly not.

5193. Did you know that any officers of the Bank were engaged in mercantile speculations?—No, I certainly did not.

5194. (*Major Innes.*) I think that you said that you left the Board on the 24th April 1866?—Yes.

5195. That was only two days before the first meeting with regard to Premchund's large loan.—I have not the slightest recollection or knowledge about Premchund's loan.

5196. You were a director of the Bank when the letters were written to the Bombay Government in March 1866?—Yes.

5197. Was Colonel Marriott a director then?—Yes, he was a director at the time when he wrote that minute.

5198. What was the position of the Government Directors at the Board; were they treated as on a par with the mercantile directors?—I think so. As far as my recollection serves me, this was the sort of way in which business was conducted: the President would lay before us an application, he would say, "Here is an application from so and so;" and then one member would say, "to my knowledge he is engaged in the China trade, and we have had transactions with him," and so on. Loans were always fairly and fully discussed, and there was no oppportunity, as I thought, of showing any favouritism towards any one.

5199. Was there any tendency on the part of Mr. Hannay or other directors to overbear the Government directors?—I should say not, decidedly.

5200. Would not the minute of Mr. Hannay on Colonel Marriott's minute (vide Blue Book, p. 40) lead to the supposition that Mr. Hannay was overbearing?—I never considered him as such.

5201. Did you defer much to Mr. Hannay?—I did defer a great deal to Mr. Hannay. I believed that Mr. Hannay was a thoroughly competent man. I knew that he took the greatest possible interest in the Bank, and I should have been very doubtful about giving any opinion contrary to his.

5202. In fact the Government directors were apt to be guided by Mr. Hannay and others who were considered competent commercial directors, in granting loans?—Decidedly so.

5203. Then in what did you consider your official duty to lie?—When these applications were laid before us, I think that our presence there prevented anything like undue favouritism or influence being exercised. There were representatives from the different firms, and the matter was fairly discussed, and the nature of the business in which the applicant was engaged, and so on.

5204. Did you consider that you had anything special to do in the way of seeing that the Act was adhered to?—The only occasion apparently which occurred of that sort was the case of the loan which has been pointed out; we referred it to the solicitor.

5205. Did you consider it your special duty to see that there were sets of rules, and so on, for the guidance of the officials of the Bank, and for its proper management?—No, we did not do that; and I think that it is very much to be regretted that we did not.

5206. You said that at some of your first meetings you and other directors came to the conclusion that you were kept in ignorance of the proceedings in the Bank?—I never stated that we were purposely kept in ignorance.

5207. The words which you used were that you were kept in ignorance; do you adhere to those words?—I do not mean to say that we were purposely kept in ignoranee.

5208. Have you any reason to believe that you were kept in ignorance?—I think that the only occasion to which I referred in my evidence was the occasion when we were induced to acquiesce in the resolution of the 12th of April 1865. I think that it was not ingenuous on the part of any one who knew that advances had been made, not to have told us.

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5209. Had you ever any reason to believe that the management of the details of the Bank was such as to mislead you as to what was going on?—Do you mean with regard to the way in which the books were kept?

5210. Yes.—No, I believe not.

5211. Have you any reason to believe that the books were so kept as utterly to nullify the wishes of the Directors on any point?—No, I believe not.

5212. If you had agreed that a firm should get a loan of 20 lacs, and that certain securities should be taken against that loan, do you think that it would have been against your wish, and that of the other directors, that as those securities were realized they should be credited against that loan, and that advances should be made afterwards so as to keep the whole loan up to its full?—Certainly, I think that the loan should have been closed. I heard your questions yesterday to Mr. Robertson upon that point.

5213. And you do not agree with him?—Certainly not.

5214. When the list of overdues was sent in by the Bank to the Government of Bombay, and was sent on to the Government of India, not giving the information which the Government of India wanted, did the Government of Bombay get that information themselves which the Government of India wanted?—No.

5215. Did they ask for it?—No.

5216. Was there any reason why they did not ask for it?—My impression is, that the Government of Bombay considered that it would not be fair to ask the Bank to disclose, either to themselves or to anyone else, the nature of the business of their constituents; that is my impression of the reason why it was not pressed.

5217. Then they took the whole responsibility of not having for themselves the information on which they might afterwards have to act with reference to assisting the Bank; they declined to get for themselves the information which the Government of India wanted in case they had to take action with reference to the Bank?—Yes; they gave the Government of India all the information which they themselves possessed. I wish to be understood as merely giving my impression.

5218. I should like you to give the knowledge which you have as secretary to Government; you have a good deal?—Perhaps I have. My impression is, that the Bombay Government, with regard to the state of the Bank, put the Government of India in possession of what you may consider the salient points as to the position of that Bank. They found out in the best way which they could what were the assets, and what was the amount of the liabilities, and they communicated those facts in a lump to the Government of India.

5219. In what way did you get at the assets?—I am speaking specially with regard to the report of the Commission which was appointed to value those assets.

5220. As secretary to the Government, and moreover a director of the Bank, when you got the report of that Commission did you go into the details?—No.

5221. What reason had you for considering that they were making an under valuation of the assets?—I can only repeat what I have said before. We had the very highest officer of the Government of India, who happened to be accidentally present in Bombay at the time. We presumed that he was probably an authority with whom the Government of India would be satisfied. We associated with him two of the most impartial local authorities that we could find, and we gave the Government of India the benefit of those gentlemen's opinions.

5222. At the same time strongly discrediting it. You got their report; did you get details to support you in discrediting that report?—I am not aware that we did discredit it. We gave the Government of India the benefit of the two estimates, and I believe that the Government of Bombay furnished the Government of India with every particle of information which they themselves possessed, and that there was no wish to keep anything back from them. If you ask me, as Mr. Chapman, why it was done, my impression is, that they considered it inexpedient to divulge the affairs of the constituents of the Bank, either to themselves, or to the Government of India.

5223. What grounds had they for saying that they preferred one estimate to the other?—Perhaps they thought that in Mr. Harrison, Mr. Hunter, and Dinshaw Manockjee they had got extremely desponding individuals, and that it was a mere question, do you prefer so and so's estimate to so and so's estimate? But there was no wish to leave the Government of India in the dark; the opinions of both parties were placed before them as quickly as they were arrived at.

5224. Do you still say that there was no wish to leave the Government of India in the dark when the Bombay Government had persistently declined to give the information which the Government of India wanted, and, still further, had declined to obtain it themselves?—They had the gross liabilities and assets of the Bank, and my impression is that they considered it inexpedient on grounds of general policy to publish more.

5225. No publication was necessary?—I have known a good many things to transpire from Calcutta, and people have been very ready indeed in sending information from there.

5226. A subsequent estimate was sent in in January 1867. Were you Secretary then?—Yes; I was Secretary in the early part of 1867.

5227. Was that estimate accepted?—I fancy that it was.

5228. When you saw that these estimates one after the other differed by 50 lacs, did you consider it expedient then to ask for details, or to get at the reasons for the different estimates?—The reasons were apparent to the Government themselves. There was an obvious decline in the securities; for instance, in 1867 there was a regular sort of extreme to which securities of all sorts went. For example, Back Bay shares, which in liquidation I believe have realized something like 2,500 rupees, were at the very lowest time, in 1867, at 300 rupees; they went up and down. It would have been very erroneous to have made an estimate based upon the 300 rupees, as they have actually realized 2,500 rupees.

5229. Then what is the meaning of an estimated loss to the amount of nearly half the Bank's capital?—I merely instance those figures to show the fluctuation.

5230. As you are aware of great fluctuations in the estimates, and in the value of the securities, was there any reason for not obtaining and recording with your Government the details upon which the estimates, which, after all, were sent on to the Government of India, were based?—I think that there was an objection to have those details laid before the Government. We did not require them ourselves. I believe that the Government had confidence that certainly since 1866 every one connected with the Bank was making as fair an estimate as it was within the power of human ken to make, and they trusted to that estimate.

5231. They did not consider it requisite to obtain the same estimate for themselves?—No, certainly not.

5232. What was the arrangement current in the Bank with reference to any letters which the Government directors had to write to the Government of India; were the letters which the Government directors wrote to the Bank filed in the Bank records?—Any letter which was sent for information, for instance, the letter sent to Sir Charles Wood, objecting to the transfer of shares, I have no doubt was kept in the records of the Bank.

5233. What was the arrangement current in the Bank with reference to any letters which the Government directors had to write to the Government of India; were the letters which the Government directors wrote in the Bank filed in the Bank records?—I am not prepared to say; they would certainly be either filed in the Bank, or in the secretariat.

5234. When you wrote these letters, how was the information arrived at, and were there any means for the Bank officials to know that you had given incorrect information?—Whenever we wrote a letter, the information contained in that letter was derived from the secretary of the Bank, or from the chairman through the secretary.

5235. There is a letter, for instance, with regard to the resolution of the 12th of April 1865, which you say that you wrote from Poona?—I wrote it from Poona.

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5236. It was supposed to go from you and from Mr. Lushington?—Yes.

5237. Was it in any way filed in the records of the Bank? Or where would the facts upon which it was based be got at?—I should think most probably in the Bank.

5238. Of course any letter which you wrote must have been based upon certain data, which data, I presume, would have been tacked on to the rough draft?—Yes.

5239. Would that not have remained in the Bank?—I should suppose so. You will observe that in our own records, however unsightly the files may appear, the smallest scrap of a note is kept. I am not prepared to say what system was adopted in the Bank, but as regards our own office, namely, the secretariat, every scrap of paper was most jealously kept.

5240. For instance, when you quoted the resolution of the 12th of April 1865, the beginning of that resolution, referring to the former ones, was omitted, you believed that you had got that information from Mr. Robertson. Was it possible that you put a more definite question to Mr. Robertson than you wanted, and that the information was written down too definitely? —I cannot say. I certainly got those figures from the Bank.

5241. Then when you were asking for information from the secretary, you would not have the previous letters?—No; otherwise one could follow out the whole sequence of the correspondence.

Mr. T. L. Seccombe.

THOMAS LAWRENCE SECCOMBE sworn and examined.

5242. (*President.*) You are Secretary in the Financial Department of the India Office?—Yes.

5243. The documents in your hand are documents which you produce from your department?—Yes.

5244. One of those documents is a printed draft copy of the Bill which became Act, No. 10 of 1863, of the Legislative Council of Bombay, and was sent home by the Government of Bombay to the Secretary of State?—Yes. (*Exhibit marked* A. 168.)

5245. In whose handwriting is the pencil memorandum "Bengal guaranteed" on page 17 of that draft Bill?—That is in the handwriting of Mr. Hobart, the assistant secretary in the Financial Department. At my request Mr. Hobart went through it, to see whether there were any differences between this and the former Act, and the Act for regulating the Bank of Bengal; and this is one of his notes.

5246. At page 18 of the draft, I see another pencil memorandum; whose handwriting is that?—Sir Charles Wood's.

5247. What is the other document which you produce?—It is the minute paper prepared in the Legislative Department, and approved by the Secretary of State in Council, leaving to its operation the Act 10 of 1863, passed by the Council of the Government of Bombay, for the re-incorporation and re-constitution of the Bank of Bombay (*Exhibit marked* A 169).

Adjourned to Thursday, 3rd December, at 11 o'clock.

Thursday, 3rd December 1868.

PRESENT:

President.

Sir CHARLES JACKSON.

Member.

Major McLEOD INNES.

Secretary.

F. D. CHAUNTRELL, Esq.

(*Mr. Morrison.*) My name is Anthony Morrison, and I have come here to tender my evidence to the Commission. I will, with your permission, read a statement which will not occupy more than a few minutes.

5248. (*President.*) What information have you to give to the Commission?

(*Mr. Morrison.*) I was in Bombay the whole time, and I think that I have information which will be valuable with reference to the evidence which has been already given in Bombay.

5249. (*President.*) Upon what points do you wish to give evidence?

(*Mr. Morrison.*) I was lately the manager at Bombay of the Asiatic Banking Corporation. I am able to give important evidence as to the causes of the inability of the Bank of Bombay to pay its debts, and the circumstances attending such inability. My name has been frequently mentioned in the evidence taken by you at Bombay, and accounts, more or less inaccurate, have been given in such evidence as to transactions with which I have been connected. In some of these accounts reflections have been made upon my conduct and character. I was absent during the whole time that you were receiving evidence at Bombay, and I have therefore had no opportunity of correcting the false statements in the evidence given before you. For the purpose of affording you correct information on the subject of your inquiry, as well as to remove the erroneous impression as to my conduct occasioned by the untrue statements made to you at Bombay, I have come to England, and I arrived only on Monday last. I have to request that you will appoint some early day which may suit your convenience to examine me on oath, and that you will favour me by directing your secretary to send me your summons addressed to Bacon's Hotel, Lincoln's Inn Fields, where I am at present staying.

(*President.*) We should not wish, of course, to prevent you from explaining certain parts of the evidence, but we should be reluctant to have you examined as a witness solely on that ground. But you say that you are able to give us important evidence about the Bank of Bombay, and we will therefore call you on Thursday next.

GEORGE INVERARITY sworn, and examined. *Mr. G. Inverarity.*

3rd Dec. 1868.

(*Witness.*) Before the opening of the ordinary business of the day, I wish to make one remark, if I have your permission to do so.

(*President.*) We have no objection.

(*Witness.*) I am here as a spontaneous and voluntary witness. For family reasons I have been residing in Italy for some time, and I have come a very long distance, at great discomfort and personal inconvenience to myself. When I received your summons I was at Milan, and there was some doubt whether it had legal force against me, it therefore remained optional with me whether I should come or not, but I felt it to be my duty to the Commission that I should come, so that they might not suppose that I possessed knowledge

Mr. G. Inverarity.

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which they wished to have, but could not get, because I was absent. I also wished to come, in order that people might see that I did not stay away.

5249 *a.* (*President.*) I believe that you were well advised to come, though I do not think that you can give us much information. I believe that you are a member of the Bombay Civil Service?—I was.

5250. What office did you hold in the year 1863?—That of Commissioner of Customs in Bombay.

5251. When were you appointed a Government director of the Bank of Bombay?—I cannot mention the dates.

5252. On the 22d of July 1863 you were gazetted, and you first took your seat at the board on the 30th of July 1863?—Yes; and I continued a director from the 30th of July till the 10th or 12th of August 1863 only. After that time I went on duty to North Canara, and I was absent there for part of the summer. While I was so absent orders came from the Home Government that a Government director should not hold shares in the bank. I told the Government of Bombay beforehand that I held some shares in the bank, thinking it positively inexpedient that a Government director should hold shares. When I was in Canara the answer came that a Government director should not hold shares, and that if I wished to continue a director I must sell, or if I wished to retain my shares I must resign. I then resigned.

5253. Your first sitting was on the 30th of July 1863, and your last sitting was on the 12th of November 1863?—Yes.

5254. You were therefore an acting director of the board for 15 weeks?—Yes.

5255. You were a director when the Act passed?—I think that the Act passed before I joined.

5256. But it was not notified in the Gazette until the 1st of August 1863?—The Act came into force as soon as I came into the bank. I had nothing to do with the passing of the Act in any way.

5257. Were you a party to the resolution of the 6th of August 1863? You have probably not had an opportunity of looking at these minutes, as most of the other directors have?—I have not.

5258. That is the resolution? (*Handing the minute book to the witness.*)—Yes; I must have been there, as my name is entered. I was present then.

5259. You were present at the passing of that prudent resolution, that there were to be no advances on shares without bringing them before the board?—I was.

5260. I believe that Mr. Ryland, the deputy secretary, subsequently wished to upset that resolution of the board, did he not?—I do not know that Mr. Ryland did.

5261. Is not that Mr. Ryland's handwriting? (*Handing Exhibit A* 32. *to the witness.*)—I do not know; I do not know his handwriting.

5262. He proposed that the resolution of the 6th of August 1868 should be rescinded. You will see a minute of yours attached.—Yes.

5263. Will you read that minute?—"Section 32, clause 1, gives us authority, supposing the banks mentioned are public companies,—if they are not public companies there is no use of further discussion, and of this I presume due inquiry has already been made, and that most of these banks are public companies has been determined. At present we have more money than the manager seems to know what to do with, and it is most desirable that an outlet should be secured; I therefore see no objection to Mr. Ryland's draft proposition being discussed, with a view to being passed on Thursday, when the parties are of undoubted respectability and known means; and the secretary should be held responsible if he advances to those who are otherwise. The danger in respect to short periods, to which I would limit such loans, is very little more than in the case of ordinary discounts. But the Central Bank is not a public company, and I doubt whether the Comptoir is." (That means Comptoir d'Escompte, I fancy.) "The Commercial Bank has not yet received its charter, I believe, and these three should be excluded. I do object to large balances

being allowed to lie in the bank perfectly idle, as has been the case all this monsoon; and if the new charter allows us to deal as above discussed, we should not be doing our duty to the proprietors did we not avail ourselves of the latitude and field allowed. The bank loans would be in proportion to the par value of the stock placed with us; not according to the market value, as apparently supposed by Mr. Cowasjee Jehangeer." That is in my handwriting; that is my minute.

5264. I believe that you subsequently wrote another memorandum. Will you read it?—" Since writing my minute of this date, on Mr. Ryland's draft proposition, I have referred to section 32. of our charter, and do not think the Mercantile, Agra, Oriental, and Chartered Banks can be described as coming within the term 'Public Companies in India.' They are public companies in England, with their branches only in India. I do not therefore consider that the bank can act without further and full information on this subject from its legal advisers, to whom I would suggest this point be submitted. I request the favour of the secretary circulating this amongst the directors."—That is my minute.

5265. It appears from those minutes that you were anxious to allow of investments on shares?—Not on all shares. I saw no objection, for instance, to the Oriental Bank, and the Agra, and the Mercantile Banks; of course leaving a wide margin for risk. It seemed to me that we were doing our duty to the proprietors.

5266. Was not that matter brought before the board subsequently on the 17th of September 1863?—I suppose that it was. I do not recollect the dates.

5267. Do you remember the discussion which took place?—I think that there was a discusstion. I forget the details of it.

5268. Do you not remember that you were overruled?—No; I may possibly have been.

5269. That was the resolution which was passed. (*Handing the minute book to the witness.*) Just look at it, and refresh your recollection.—It was five years ago. " Resolved, that the secretary be authorized to make advances on stock or shares in Indian railway companies guaranteed by Government, without such stock or shares being transferred into the name of the bank, on the borrower signing a form of agreement to be prepared by the bank solicitors."

5270. They therefore confined the lending on shares to railways guaranteed by Government?—Yes.

5271. Did not they know that an Act had been passed before that time allowing them to do so?—I fancy so.

5272–3. Why did they pass such a resolution as that?—There was a long discussion, I recollect. I suppose that this resolution was passed to dispose of the question. I recollect some of the directors being strongly opposed to money being advanced on bank shares.

5274. Cowasjee Jehangeer especially?—Yes; I allude to him particularly; he was very much opposed to it.

5275. Do you recollect anybody else who was very much opposed to it at that time?—I recollect Cowasjee Jehangeer particularly being opposed to it. I do not recollect the others.

5276. Are you aware that there were cash credits granted on mere promissory notes in the name of one person, or firm, without any security, and that a system of that sort commenced almost immediately after the Act passed?—Was it allowed by the Act?

5277. It allowed you to make loans on cash credit without any limit. That, however, is not the point. I am not asking you whether it was legal or not; but I am asking you whether you knew, as a matter of fact, that immediately after the Act passed a system commenced of granting cash credits on the mere promissory note of a single individual, or firm, without security?—No; I do not recollect it. I was not aware of that fact.

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5278. You will see that during the short time that you were a director many such credits were granted. (*Handing Exhibit A* 33. *to the witness.*)—Yes; this is all Greek to me.

5279. You never saw that before?—Not that I recollect.

5280. Was the application book laid on the table?—Yes, I recollect that. I used to see it constantly.

5281. Used you to look at it?—Yes.

5282. If I tell you that the cash credits entered in this little Blue Book (*A.* 33.) are not entered in the application book you will be very much surprised at it?—Yes.

5283. What other means would you have of finding out the existence of this practice if the cases were not entered in the application book?—I cannot say. I knew so little about banking when I was appointed that I really knew nothing about the details. I considered my duty to be to see that the charter was not exceeded. The matter of granting loans, and who were fit people to give loans to, I rather considered the business of the mercantile directors.

5284. Am I to understand distinctly that you were wholly ignorant of the fact of this practice of granting cash credits on promissory notes in one name without security?—I do not recollect the principle being in existence. I may have heard of it incidentally.

5285. But you do not recollect it?—Certainly not.

5286. No one director has been able to say that he recollected it?—I certainly do not recollect it; I would say so at once if I did. By whom was that book kept? In whose handwriting is it?

5287. Mr. De Ga's. He kept the ledger of the cash credits. As far as you are concerned, there is very little which affects you in that respect. There are only two accounts which commenced in your period which eventually ended in loss. But it is fair to you to say, that as to one of those two accounts it is disputed that there is anything due upon the original grant, and in the other case the bank lent the individual large sums of money afterwards, and *non constat* that he might not have paid the first debt. There are only two transactions commencing in your time which eventually ended in loss. Do you recollect either of those transactions, one being with Bomanjee Cursetjee Cama, and the other with Dady Byramjee and Company?—Certainly not.

5288. Did you before or during the time that you were a director of the Bank of Bombay receive any allotments of shares?—I may have done so. Yes, I did receive them.

5289. What allotments did you receive before or at the time when you were a director of the Bank of Bombay?—I got Cotton Ginning Company's shares, and Mofussil Press Company's shares.

5290. What was the date of those allotments?—It was all about that time. I forget the dates. I had some Royal Bank shares before I joined the direction of the Bank of Bombay. If you will mention the shares I will tell you at once.

5291. I want you to be particular as to what allotments you received before, or during the time that you were a director. You say that you had shares in the Cotton Ginning Company, and in the Mofussil Press Company?—Yes, and in the Royal Bank of India.

5292. How many shares had you in the Cotton Ginning Company?—I think that I had 15 shares in the Cotton Ginning Company, and the Mofussil Press Company; they were conjoined. There were 10 or 15 between the two, I think, and, if I mistake not, they were afterwards separated. In the Royal Bank I had 100 shares; but that was long before I joined the direction.

5293. I should like you to distinguish between those shares which you had before you became a director and those which you had at the time when you were a director. I am asking about the allotments which you received.—Am I allowed to refer to private memoranda?

5294. Certainly. First of all we will take those which you received before you were a director.—I have no memorandum of those. (*Looking at his memorandum book.*) I think that the Royal Bank of India was the only one.

5295. You had four Back Bay shares?—That was long afterwards.

5296. I want to ascertain those which you had while you were a director.—I had six shares in the Mofussil Press Company. They were given to me on the 23rd of July 1863, according to my memorandum, and on August the 4th I had ten Cotton Ginning Company's shares given to me.

5297. The Royal Bank shares you had before you became a director?—I think that I had them before I was a director.

5298. Were these six shares of the Mofussil Company at a premium when you had that allotment?—No; I retained them for a long time, and I sold them shortly before I left India.

5299. To whom did you apply for them?—Messrs. Nicol and Company asked me if I would have any, as they wished to establish a Press Company, and I said that I would take some.

5300. How much was paid up on those shares?—Five hundred rupees per share; three thousand rupees altogether. I sold them fourteen months afterwards for three thousand two hundred rupees, so that I got 200 rupees as interest for my money.

5301. You had ten Cotton Ginning Company's shares; how much was paid up on them?—Four thousand five hundred rupees was paid up upon them on the first and second calls, and I sold them on the 3rd of November 1864, fifteen months afterwards, for the same money exactly.

5302. Did you receive any other allotments before, or when you were a director?—I have no memorandum of it. The case of the Royal Bank of India I recollect because I lost money on it.

5303. You received a hundred shares in that bank before you were a director. Just look at your memorandum, and see.—The Royal Bank shares which I had I sold on the 2nd of July 1863, and I see in the same memorandum an item, "By sale of Joint Stock Bank shares;" but that was not an allotment. That is all that I have any memorandum about.

5304. What did you pay for the shares of the Royal Bank of India?—I paid up a call of 2,500 rupees.

5305. What did you sell them for?—At 15½ per cent. premium; that was 3,100 rupees altogether. That was before I joined the Bank of Bombay, or knew anything about it.

5306. The Mofussil Press Company's shares you seem to have received on the 23rd of July 1863, before you took your seat at the board?—Yes.

5307. On the 4th of August 1863 you received ten Cotton Ginning Company's shares; you were a director then?—Yes; but the application was made long before that.

5308. When was the application made?—I do not know. It was apparently a good thing started, and I was asked whether I would take any shares.

5309. I believe that after you were a director you entered very largely into share speculations?—That is a question of opinion. I had my own money to invest as I liked. I never borrowed a sou from any one.

5310. We find your name repeatedly.—I am quite willing to tell you what I had.

5311. You were in the Back Bay Company?—I had four shares in the Back Bay Company.

5312. You were also in the Bombay Joint Stock Corporation?—Yes; I am sorry to say that I was. I had to pay 700*l.* call there, so that I did not gain anything by it.

5313. And you were in the Frere Land Reclamation Company?—I had five shares in that.

5314. And you were in the Port Canning Company?—The Port Canning shares I never asked for; they were sent to me; that was long afterwards.

5315. And you were in the Mazagon Land Reclamation Company, and the Bank of Surat?—I had three Mazagon Land Reclamation shares; and I was engaged in the Bank of Surat at the earnest solicitation of the late Mr. Howard.

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I refused at first, but he begged and prayed me to take shares, and I did so in order to keep up my connexion with Bombay.

5316. Will you tell us all the speculations in shares, and the buying and trafficking in shares, which you entered into before, or during the time that you were a bank director?—That is rather a difficult question; but, however, I will give you the best information that I can from my book. You mean exclusive of allotments?

5317. Exclusive of allotments. We have your allotments.—I bought some Commercial Bank shares on the 2nd of April 1863, which I afterwards sold; that was not considered a speculation. I had some loose money, and I was told that it would be to my interest to buy them.

I had 150 Joint Stock Bank shares given to me by a friend of mine, separately from any purchase or allotment, or anything of that sort. He had more than he wanted, and he gave me 150 shares out of his lot. That was before I joined the Bank of Bombay or had anything to do with it. Then I bought some Kurrachee Press Company's shares on the 12th of August 1863. I bought them for 12,400 rupees, and I sold them for 12,667 rupees. Then I bought ten Bombay Bank shares for 33,200 rupees, and I sold them for 32,300 rupees; that was at the end of September, somewhere about the 20th. That was all, according to my recollection.

5318. That is to say, before or during the time that you were a director?—Yes, according to my book, and my book is very correct. Allow me to look over it once more, and I will correct myself. I see, "Paid W. H. Crawford, Esquire, 2,500 rupees." I do not know what that is. I think that it was for the purchase of horses. I do not think that that had anything to do with it. I do not know how many Kurrachee Press shares I had, but 12,000 rupees were paid for them; and I had ten Bombay Bank shares. That is all, to the best of my recollection; and I have my written memoranda before me.

5319. We have been informed that you did a great deal of business in buying Bombay Bank shares.—No; that is perfectly incorrect. I never bought any since these ten. I had six shares when I joined the bank as director, which afterwards became 12, and aftewards 24; but these were bought in 1857, long before I went to Bombay. If I bought and speculated in bank shares it must appear in the bank's books.

5320. Have you told us of all the shares which you bought in the names of other people?—Do you mean while I was a director?

5321. Yes, or before?—I did almost nothing before I was a director. I did most of it afterwards.

5322. You had shares entered in the books of Companies in the names of natives?—Once only.

5323. In the Frere Land Reclamation Company?—Yes; in the name of my broker.

5324. Was not his name Atmaram Balcrustna?—I know nothing about him.

5325. When you were a director, and before you were a director, did you ever receive any allotments in the name of any native or any other person?—Never; I am perfectly sure that I never did.

5326. You never bought and sold shares, and used the name of a native for them?—Never. The only ones were the Frere Land shares, and my broker told me that he had put them in his own name. He did it at his own suggestion; it was not my suggestion at all.

5327. When you were a director of the bank did you, or did you not, traffic in shares, or have any other speculation in the name of any native?—No; not unless the 10 Bombay Bank shares, which I have mentioned, were in the broker's name.

5328. For what purpose would you buy and sell Bombay Bank shares in the name of a native?—I would not do so, and I did not.

5329. You said not, unless those Bombay Bank shares were in the name of a native?—Those were the only shares which I had at that time, and therefore I say that, if they were in the name of the broker, they may have been in the name of a native.

5330. Did you before, or whilst you were a director, ever traffic in any shares, Bank of Bombay shares, or any other, in the name of a native, not disclosing your own name?—The only case possible is that Kursondass may have bought Bombay Bank shares on his and my own account; and if so, it must have been these 10 shares which I have mentioned.

5331. Then if Premchund Roychund told us that you were dealing and trafficking in Bombay Bank shares he was incorrect?—Yes; except as far as these 10 shares are concerned. I did not know that he did tell you so. I have not seen the evidence. I did not know Premchund in those days. I made his acquaintance long afterwards.

5332. Did you consider yourself justified as a Government civilian in entering into these speculations, holding such an office as you filled in Bombay?—I did not see any harm in it.

5333. Did you not read the order issued by Sir Bartle Frere?—That was long afterwards.

5334. But you were aware of the orders issued by the Government of India and Sir George Clerk afterwards?—The orders of the Government of India, if I recollect rightly, left it optional that officers should do as they thought best.

5335. Was not the spirit of those orders to discourage speculation on the part of officials?—I considered that it left the question a great deal to the discretion of the officials.

5336. Did it not say that it would influence their promotion for the future?—Yes.

5337. And did it not strike you that it was intended to discourage those speculations on the part of officials?—I had money to invest, and it did not strike me that there was anything wrong in it; it never occurred to me.

5338. It would no doubt have been better for all parties if those orders had given a less uncertain sound.—I was aware of the order. If Government wished to prohibit that sort of thing they ought to have said so positively. If the Government left it optional to the officer, and I did not borrow the money, why should I not do it with my own money? That was my idea.

5339. Do you think then that it was for the advantage of the service that a civilian holding such a position should enter into all these speculations in a Presidency town?—I do not see any disadvantage in it at all. It was his own money, and was not borrowed.

5340. Did you see no disadvantage or impropriety in a civilian who held the high position of a Government director of the Bank of Bombay receiving a present of allotments in these companies?—No; there was no quid pro quo asked for or given. They were given as a mark of personal friendship, and some were not even asked for.

5341. Was not getting shares in these Companies considered a matter of obligation at that time?—If so, I think that scarcely any Government director would have taken shares, and almost every Government director had shares, more or less. Even some members of the Government had shares, as we know by a late court-martial at Simla. It seems to me to have been quite a question left to the discretion of the officer.

5342. Then I understand that you considered it consistent with your position to enter into all these speculations?—I consider that no harm was done, it being with my own money. I never borrowed a sou from any one.

5343. We have nothing more to ask you.—I should be very glad to get my capital back. And I wish to say that I believe that very many severe things have been said about me by the shareholders, and I can only imagine that the reason of it is that in the Bombay Almanac I was put down as a director of the Bank of Bombay in 1864. I am extremely grateful to you for the opportunity which I have had of coming before you to state what I know.

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GAVIN STEEL sworn, and examined.

5343*a*. (*President.*) Of what firm in Bombay were you a member in 1863?—Messrs. Grey and Company.

5344. You were a director of the Bank of Bombay when Act No. 10 of 1863 passed. You first sat at the board on the 11th June 1863?—I was under the impression that I was a director in May.

5345. It appears from the minutes that the first time you sat was on the 11th of June?—I have no doubt that that is correct. It was only for a few weeks at that time that I was a director, during May and June. I ceased to be a director by the expiry of the time for which I was elected.

5346. When were you re-elected?—I was re-elected in January 1864.

5347. And your last sitting was on the 8th of December 1864?—November.

5348. Your last sitting, I find by the minutes, was on the 8th of December 1864?—I speak from memory; I have no doubt that what you state is correct.

5349. We have examined so many directors that I do not wish to take you minutely through all the points of the case, but only generally as to certain points. Had you anything to do with the preparation of the Draft Act?—Nothing whatever.

5350. It was just passing the Legislative Council when you were elected a director?—So I see from the date; but I knew nothing whatever about it.

5351. You had something to do with the increase of the capital of the Bank?—I was present at the meetings which resolved upon that measure.

5352. What were your reasons for supporting it? You were a director during the second and third increases?—That the trade of Bombay had so far increased that an increase of capital was necessary.

5353. Did you think that the third increase was necessary?—I concurred in it.

5354. Do you not think that it would have been wiser to have waited a little, and to have seen the effect of the second increase, before you embarked on the third?—No; I did not think that the third increase was too great an increase.

5355. You are aware of the great number of rival banks which were established about that time, there being about sixteen banks in Bombay, old and new?—Yes.

5356. That did not affect your judgment?—No, I cannot say that it did.

5357. Did you think that there was room for the safe employment of so large a capital?—I really thought so.

5358. Did you not find, as the last witness said in one of his minutes, that you had really more money than you knew what to do with?—I heard him say so.

5359. Is it not your own experience that you had a great deal of money?—We had a great deal of money, but I think that it was quite possible to employ it profitably.

5360. And safely?—And judiciously.

5361. You were a party to the resolution of the 6th of August 1863, which has been read?—As a director?

5362. Yes.—I have no recollection of it.

5363. You were present on that day. This is the resolution. (*Handing the minute book to the witness.*)—It appears so. I had no recollection of being present.

5364. Do you not recollect an attempt being made to reverse that decision in the very next month?—No.

5365. Here is your opinion of it. (*Handing Exhibit A 132. to the witness.*) —Yes, that is my minute; it had quite passed out of my recollection.

5366. You seem to have doubted then whether you should, or should not support the proposition to advance on shares; your minute is rather vague. What part did you ultimately take when the matter came before the board on the 17th September 1863?—I beg pardon. I think that my minute refers to the mode in which the shares should be taken as security.

5367. You did not discourage the application. You said, "I think there can be no objection to lending money to persons of undoubted respectability on the proposed system, but our security will be in the respectability, and not in the share papers." You were evidently wavering whether you should or should not support the proposition. What part did you ultimately take on the 17th of September when the proposition was rejected?—I do not recollect. Are there any other minutes of mine on the subject?

5368. Will you refer to the minutes of the 17th of September? You will find there a resolution actually passed, cutting it down to lending money on guaranteed railway shares, which an Act of the legislature had already given you power to do.—I do not recollect what part I took, but I have no doubt that I held the same opinion which I expressed in the previous minute, namely, that our security was more in the character of the borrower than in the security deposited in this way.

5369. Am I to understand that you thought it wise or prudent in a Government bank to lend money upon the mere signature, or the promissory note of a single individual?—No; I never said so.

5370. That was not your opinion?—Certainly not.

5371. Are you aware of the practical rescinding of that resolution of the 6th of August 1863, in the latter part of your time as a director, during the last half year of 1864?—By any formal resolution?

5372. No; by no formal resolution, but by the acts of the secretary.—Will you repeat the question?

5373. Are you aware of the practical rescinding of that resolution by the acts of the secretary during the latter part of 1864; are you aware that he actually did lend on shares without consulting the board?—I have heard so since, but I was not aware of it at the time.

5374. You were not aware that he was in the habit of lending large sums, lacs of rupees, to a single individual, on his promissory note, taking shares as security?—I was not aware as to the shares.

5375. Were you aware of cash credits being granted on promissory notes on a single name, without any other security, during the latter half of 1863, and down to the second of June 1864?—I never was aware of its being done at all.

5376. Not before June 1864?—My impression was all along that two names were required.

5377. You never heard of such a system on one name before the 2nd of June 1864?—I do not recollect ever hearing of it.

5378. You were present on the 2nd of June 1864. Do not you recollect that resolution being passed? (*Handing the minute book to the witness.*)—I had no recollection of it, so far as it relates to advancing money to a single person.

5379. It did not strike you at the time that it was untrue; that it was necessary that cash credits should be granted on Government paper? You remark that the resolution states, "At present no person, in however good credit, can have a credit account with the bank unless he can lodge Government paper as security, besides signing a bond, which has to be renewed every three months." Did you suppose that to be the practice at the time?—I had no recollection of the meeting at all, until I read this just now. I had no recollection of the occasion.

5380. Do you recollect seeing this scroll minute? Does that revive your recollection? (*Handing Exhibit A.* 48 *to the witness.*) When we look back to the original scroll minute, we find that it was drawn up correctly as to the Scotch system. The alteration is proved to be in the handwriting of Mr. Blair. Do you recollect any discussion about that?—I do not.

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5381. I mean as to how it was altered, and made untrue, with regard to the Scotch system?—I do not recollect anything about it; and I think that I should have checked that statement as to the Scotch system, if it had been brought prominently before me.

5382. You knew otherwise?—I knew otherwise, so far as my knowledge went.

5383. How were these things managed at the board? Was not the resolution read out?—It appears to have been so, and my name is there, but it is strange to me that I have no recollection of such an important discussion.

5384. I see that you were present on the next board day: "Thursday, 9th of June. Present, Gavin Steel, Esquire. Read minutes of last meeting, which were afterwards signed by the president;" so that it must have been read over on the next board day?—The reading-over of the previous minutes is generally done when the meeting assembles, so that I might possibly not have been there at the moment, and might not have heard that read.

5385. This is a most important resolution, because it is the first opening of the door by the directors, and it admits the principle of lending money on one name.—All I say is, that if I was present I have not the slightest recollection of taking part in that discussion.

5386. Were you aware, during any and what period of your being a director, in the year 1864, of fixed, or open loans, being made on one name on promissory notes, or on bonds?—No.

5387. You never heard of that being done without any other security?—I did not, to the best of my recollection.

5388. You never heard of such loans being granted in one name or firm, not only without other security, but for very long periods, such as seven months and eleven months?—I have no recollection of any such transaction.

5388 *a*. No such transaction was ever brought to your notice?—Not prominently, certainly.

5389. But if it had come to your notice in any way, I suppose that you would instantly have objected to it, would you not?—It might have been entered in the bank books, and these books might have lain upon the table at the meeting.

5390. These transactions only appear in the ledgers and cash books; they were not entered in the application book. The only books laid upon the table of the directors were the application book, the register of bills discounted, the register of bills presented, and the minute book. We will take one or two examples, just to test you as to this matter. I will take the case of the Eastern Financial Association. I might ask you as to a great many cases, for a great many large losses came between the 1st of June 1864 and the last day in December, during your time. On the 18th of October 1864, when you were a director, 10 lacs of rupees were passed across the counter, upon the mere promissory note of a Mr. Ryan, who was secretary to the Eastern Financial Association. Were you aware of that transaction?—I was not. I wish to ask whether the circulars, which were sent round to the weekly committee, are before this Commission?

5391. They are, and we find that very few circulars were sent round to the weekly committee in 1864.—That is the object of my asking the question.

5392. There were a great many in 1865, when the bank got into trouble; that was after you ceased to be a director?—That was after I left.

5393. And we have evidence before us that the practice was to a great extent discontinued as regards natives in 1864; and we have only about fifteen discount minutes which were sent round in the year 1864. Were you aware of this transaction?—I was not aware of it.

5394. I will take another case, namely, the Alliance Financial Corporation. On the 21st of October 1864 five lacs were lent on the names of the borrowers, who were the directors of the Alliance Financial Corporation, and on the 8th of November 1864 five lacs more as a cash credit were granted to them.—I have no knowledge of it. With the exception of those applications which were circulated to me as a member of the weekly committee, I know of com-

paratively no loans or discounts at the bank. It was very rarely indeed that these applications were brought forward at a board meeting.

5395. They were hardly ever brought forward in 1864.—The only means which I had of knowing of them were by these circulars which were sent round to the weekly committee.

5396. Did you hear of a cash credit of five lacs granted to Sorabjee Jamsetjee Jejeebhoy on the 14th of July 1864 without any security except his single name?—Never.

5397. There are a great many others.—I should have to give the same answer to every such question, except in the case where my minute is on record.

5398. With reference to the weekly committee, are you aware of the fact that it was seldom consulted in the year 1864; in the latter part of 1864 particularly?—I cannot say that I observed that.

5399. Were not you aware that in the first part of 1864 it was the practice to refer almost all native applications for advances to Cowasjee Jehangeer or Premchund Roychund, until Cowasjee Jehangeer resigned, in July 1864?—I was under the impression that it was the custom always to consult native directors as to the standing of native applicants.

5400. Are you aware that after July 1864, when Cowasjee Jehangeer resigned, it was the custom of the secretary to consult Premchund Roychund alone as to native discounts?—I am not so aware.

5401. What was your idea of the duties of the president of the bank?—I thought that they were more than the duties of an ordinary director.

5402. Did you know, or had you any reason to believe, that he was in any way more consulted than other directors?—I always considered that he took a greater interest in the working of the bank, and devoted more time to it than any other director.

5403. Are you surprised to hear that we have had evidence before us in this country, that he only attended the board meetings, and went down to the bank once in the course of a week, just to ask how things were going on, or something to that effect? Does that surprise you?—No, it does not. If he visited the bank twice in a week I think that he did his duty, besides being consulted by the secretary when occasion required.

5404. If the president's duties were confined to attending the board meetings and going down to the bank once a week, and if his duties were heavier than those of a director, what were the duties of the directors?—I considered that I performed the duty which I undertook in attending board meetings, and in giving my advice when asked.

5405. You did not think that it was your duty to go to the bank often, and to look into matters, and get to the bottom of things?—I did not. If I had thought so I would never have undertaken the post.

5406. Then am I to understand that you in fact thought that the management of the bank was left chiefly to the secretary?—Under orders and control.

5407. Such orders and control as he would get at board meetings?—Yes.

5408. I have asked you about the president during your time. I will ask you about the secretary. What was your opinion of Mr. Blair?—In what respect?

5409. As to his capacity, in the first place?—That is a difficult question to answer.

5410. Did you think that he was competent for such a situation?—I thought that he was competent. I found him there. He had been in the bank service in the same capacity for years before I joined it.

5411. What did you think his powers were as respected the granting of discounts, cash credits, or loans?—My impression was that he had power to grant moderate loans without consulting his directors; but that in the case of unknown persons, or large amounts, his duty was to consult his weekly committee, or the full board, if necessary.

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5412. Can you show any byelaw or resolution of the board which limited the secretary's powers in any way, except two, to one of which I have called your attention, of the 6th of August 1863, which was habitually disregarded and eventually rescinded, and another resolution, to which I shall call your attention, of the 12th of April 1865?—I cannot.

5413. In your time there was one resolution, namely, that of the 6th of August 1863; was there any other in your time?—None that I am aware of.

5414. Then will you explain to us how it was that the powers of the secretary were limited to granting discounts and cash credits to a small amount?—I acquired the impression that that was the rule of the bank before I joined the direction. I cannot say how I did so. I may have been so informed when I joined.

5415. Then would you be surprised to hear that the secretary, Mr. Robertson, in March 1866, claimed almost unlimited powers, as the practice of several years past?—I should certainly be surprised.

5416. Would you be surprised if I were to tell you that in March 1866 the directors did not know what the powers of the secretary were, and asked the chairman to define them?—Yes.

5417. Would you be surprised if I asked you whether you were aware that the chairman did not know what the powers of the secretary were, and wrote to Mr. Robertson, the secretary, to tell him?—Yes.

5418. And that no byelaws were ever passed till the 31st of March 1866?—At any time?

5419. Yes.—I was not aware of that.

5420. Did you suppose that there were any byelaws when you were a director?—I did so suppose.

5421. There were none; at least we should be very happy if you could point out any to us?—I cannot say that I ever saw them in writing or in print, but I give you what my impression of the management was.

5422. I have only taken you generally through the facts, because we have examined so many directors minutely, but I just call your attention to one fact, because I think that it is fair to give you an opportunity of explaining it, if you have any explanation to offer. From the 1st of June 1864 till the 1st of May 1865 was the disastrous time of the bank. On the 1st of May 1865 the bank was ruined, though there may have been some capital left. You were a director from the 1st of June till the December of that period. Of course a very great responsibility rests upon you, and upon other directors with you, and I think that it is fair to ask you whether you have any explanation to offer as to the great losses during that time?—I have only to say that I think, from what I have read of the evidence given before this Commission, that the secretary vastly exceeded his powers.

5423. But was not it your duty to check the secretary in so exceeding his powers?—I say that I have gathered this knowledge from the evidence before this Commission, and that I did not know it at the time.

5424. Who did you suppose was checking the secretary during the time that you were a director?—I supposed that the chairman knew more about the affairs of the bank than any other member of the board; but I had no suspicion that such transactions were going on, or that there was any necessity for any director to exercise a strict supervision.

5425. Then the fact, I suppose, is, that you put unlimited confidence in Mr. Blair?—In his following the byelaws and orders.

5426. There were no byelaws.—I meant the rules of the bank.

5427. Will you kindly show me what those rules were?—I cannot show them.

5428. To us it appears that, with the single exception during your time of the resolution of the 6th of August 1863, there was no guide whatever to the secretary, and that resolution was practically rescinded.—Were there no byelaws before that day?

5429. Some years before there were, I believe, some byelaws, but they were long since obsolete. Do you not think that if the directors, commercial and

government, had really gone into these matters, and had really investigated them, and had gone into the bank, and made inquiry, and looked at the daily book, and seen what large sums were going out every day, and had made inquiry about them, they must have got at the truth of these things?—I do not see that that would have brought them nearer the truth than a weekly inspection did.

5430. What inspection was there weekly?—There was a weekly board meeting.

5430*a*. If any director had gone to the bank, and had taken the daily book of the 19th of October 1864, he would have seen that 10 lacs had gone out the day before on Bombay bills, that is to say, on the bill of the Eastern Financial Association, of which I have told you. If you had then gone to the secretary, and had said, "To whom did these 10 lacs go yesterday?" He would have replied, "The Eastern Financial Association." Then, if you had said, "What security did you get for those 10 lacs?" the whole thing would have been exposed to you?—It would.

5431. Or if any person had gone to that bank at any moment, and had just asked a few questions in that way, the whole thing must have been exposed?—Yes.

5432. I believe that you were also engaged largely in what has not been inaptly termed the share mania of 1864?—I was interested in some of the Companies which were then brought out.

5433. I believe that you were a promoter of the Back Bay scheme?—I was.

5434. How many shares were allotted to you?—25 of the first issue, and 22 of the second.

5435. Had you no more issued to you in the name of any other person?—For my benefit?

5436. I am first asking you as to the fact. Had you any other shares issued to you in the name of any other person?—I had ten more shares issued to me, which I placed in the name of another person.

5437. In the name of what person?—Mr. Donald Robertson, secretary to the Bank of Bombay.

5438. For what purpose were those ten shares allotted to you?—They were placed at my disposal for the benefit of private personal friends absent from India.

5439. What were their names?—I would rather not disclose the names of perfectly private and obscure persons in a public assembly; but I shall be most happy to furnish you with them upon a slip of paper, and if you consider it necessary, in the interests of justice, that they should be published, I have no objection; they are persons wholly unconnected with India. These are the principal names (*handing a paper to the president*); but I would rather that they should not be publicly disclosed. I have no reason for concealment, except that they are one and all members of my own family.

5440. Then if I have received private information that those ten shares were put aside for General Rivers, it is not correct?—It is perfectly untrue, and has no foundation whatever in fact.

5441. If I have received private information that on General Rivers' positively declining to receive those ten shares they were divided between yourself and Mr. Robertson, that is incorrect?—That is equally untrue.

5442. Who operated on these ten shares for their sale?—I did.

5443. Through Mr. Robertson?—I myself sold them, and, after selling them, I wrote a note to Mr. Robertson requesting him to sign a transfer paper.

5444. I find that they were all transferred into the names of natives?—That I know nothing about.

5445. We have traced them in the books. You caused them to be sold?—I sold them.

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5446. And you sent the money to whom ?—I disposed of the money amongst those individuals. Will you allow me to add my reason for putting those shares in the name of Mr. Robertson ?

5447. Yes, if you please.—It was on account of the notice which was being taken of this scheme by the public press, that we, the promoters, had each large allotments; and I simply did not wish that, in public, I should get the credit of holding more shares than were really my own; that was the sole reason. It was no doubt an injudicious act to put those shares in the name of an official of the bank.

5448. It has led to a great deal of very untrue scandal.—I am only sorry that I was not in Bombay when the Commission sat there, to have been able to give this explanation there.

5449. You were a commercial director. I supppse that you bought and sold shares during the time that you were a director ?—I did.

5450. And in fact you were engaged in the speculations of the day ?—I was engaged in some of them, not all.

5451. You were concerned in the purchase of the Mazagon land ?—I was.

5452. You bought that land from the Government for 40 lacs of rupees ? —We did.

5453. And you sold it to Mr. Diver, Mr. Taylor, and the other parties, for 60 lacs ?—Yes.

5454. And you were in the other speculations of the day ?—You have mentioned the two principal ones.

5455. You bought and sold shares ?—I did.

5456. Did you know that Mr. Birch was receiving allotments of shares when you were a director ?—I knew of the allotment which he got in the Bombay Reclamation Company, from the fact of my being a promoter; I know of no others.

5457. Do you remember through whom he got the Back Bay shares ?—They would have been allotted at a meeting of the promoters, where all the other shares were allotted.

5458. Who was present at that meeting?—The late Mr. Scott, Cowasjee Jehangeer, Premchund, and myself.

5459. Do you know that Mr. Birch got any other shares besides those ?—I do not.

5460. You never heard that he was receiving allotments ?—I do not recollect ever hearing any thing about it.

5461. Did you know that Mr. Blair was receiving allotments from the different Companies at that time ?—I knew that he also received an allotment from the Bombay Reclamation Company; beyond that I have no knowledge.

5462. You have no knowledge that he was receiving allotments from almost every Company which was started ?—I dare say that I have heard him speak of shares; but I have no direct knowledge as to the names of the Companies, or the amounts, or anything else.

5463. Did you not think it at all worth while to consider, or to inquire, how far the officials of the bank were involving themselves at that time in speculation ?—I did not imagine that there was any great danger in Mr. Blair's receiving a few allotments of shares.

5464. Were you aware that the system in those days was to send allotments to almost all the bank managers ?—I believe that it was.

5465. Of all the Companies which were started ?—Yes; so far as I know them.

5466. Did you know that Mr. Blair was buying and selling shares ?—I did not.

5467. Did you know that he was entering into speculations other than in shares, or joint speculations with other persons ?—I never heard of it.

5468. With Mr. Tracey or any other person ?—I never heard of any such operation.

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5469. Did you now that Mr. Robertson was receiving allotments?—He also received an allotment, I think, in the Bombay Reclamation Company.

5470. Besides the ten shares which you transferred into his name, he received two?—Quite so.

5471. Were you aware that he was buying and selling shares?—I was not.

5472. Were you aware that he was entering into speculations with Premchund or others?—No; I never heard of it.

5473. Was there ever any discussion at the board as to the propriety of keeping watch over the officials of the bank at that exciting time?—I do not recollect ever hearing any.

5474. Is there anything further which you wish to state?—I have an application to make on behalf of Mr. Robert Hannay. I believe that he has sent certificates of the state of his health, which is very bad. I have received a note from him, and from Dr. Arbuckle, this morning, stating that if you will be kind enough to fix a day for examining him in an hotel in London, his medical advisers think that he may be brought here.

President. We have heard that they think that that would be less exciting to him than not coming.

Witness. He is most anxious to be examined, although he is not in a fit state of health for it at all.

President. He must thoroughly understand that we cannot have a private meeting, and that we can only leave it to the courtesy of parties not to intrude into the room. We cannot shut the door against anybody; the Act of Parliament prescribes that the inquiry shall be a public one, and therefore we can only put it to the courtesy of parties not to come into Mr. Hannay's Hotel, except a few persons who are really largely interested in the matter, but we cannot exclude anybody who chooses to come. Mr. Hannay must be aware of that. Of course we shall be very anxious to give him an opportunity of being examined, not that we expect to hear much now beyond what we know, but we wish to give everybody an opportunity of explaining the transactions. Mr. Hannay has had an important part to play in this melancholy drama.

Witness. He has been very much blamed, and he wishes for an opportunity of vindicating his own character, so far as he can. He says that he thinks that Dr. Anderson, his medical attendant, will give him permission to come. I should mention that he is not at all in a fit state to be examined; he is in a very delicate state of health, and on that account it may take longer to examine him than it otherwise would.

President. Then we will fix next Friday for him to be examined, and we will ask only such shareholders as really do take a very serious interest in the matter to attend, so as to try to keep the examination as quiet as possible for him; but you will let him understand that we cannot have a private meeting; the Act of Parliament only allows us to have public meetings in England.

CLAUDE ERSKINE sworn, and examined.

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5475. *President.* When were you sworn in a member of the Council of Bombay?—I cannot mention the exact date, but it was on one of the very last days of the month of October, or one of the very first days of the month of November in 1865.

5476. When did you resign?—In May 1867. I was a member of the Council just about 18 months.

5477. How long was it before the affairs of the Bank of Bombay were brought under your notice?—They were brought under my notice in the course of what is called a currency crisis, which occurred about a couple of months after I arrived.

5478. I do not think that I can usefully take you into that matter. Was there anything else besides that, which attracted your attention before the report of the Government directors of the 31st of March 1868?—The general position of the bank of course had done so, in connection with what occurred at the time which I speak of, and in connection with the call made by the

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Government of India for some information, which led to the report of the Government directors which you speak of.

5479. The Government directors' report of the 31st of March 1866 is the first thing to which I will call your attention.—As it appears that reference is to be made to dates and to the course of correspondence, I may perhaps save some time by pointing out that in regard to the course taken by correspondence I shall be able to give very imperfect information, for this reason, the Governments in India (and I believe all the Governments are now so constituted) are divided into departments, the departments being assigned to distinct members of the Government; and in respect of those departments which were not assigned to me (of which the financial department is one) I only know so much as was brought under my notice when the papers were actually sent to me. If the Commissioners desire further information, the secretary of that department will probably be able to afford it. Whatever information I can afford I shall be happy to give.

5480. You remember receiving this report of the Government directors of the 31st of March 1866?—With regard to that point, the statement which I must make is a signal instance of the exact want of knwledge to which I have referred, because it appears from this Blue book (and on looking at the book it is recalled to my own memory) that that report was not sent to the Government of India until about the beginning of the monsoon, and I never saw it until after it had been sent to the Government of India.

5481. Then you were no party whatever to the proceedings upon it?—The Commissioners will see that the minutes of some of the members of the Government were sent, but that none of mine are there. As I am obliged to make that statement, I should also notice that the last two minutes appear to have been dated on the 11th of June, and that on that date I had gone to Poona, whereas they are dated from elsewhere.

5482. Are you able to account for the fact that this report, though dated on the 31st of March 1866, was never sent to the Government of India till the 17th of June following?—I can make no statement upon the subject of my own knowledge.

5483. Have you read this report of the Government directors of the 31st of March 1866?—Yes.

5484. Are you able to give us any information with respect to it?—I am not sure that I can, but if there is any question upon which I can do so, I shall be happy to supply the information.

5485. You say that you never saw that report until after it was sent to the Government of India?—I do.

5486. I will next eall your attention to the Governor General's letter of the 13th of July 1866, and to the paragraph at the bottom of page 28 of the Blue Book. You remember receiving this letter?—I remember it perfectly, but I cannot say on what day I first saw it, and I cannot say that I was ever called upon to express any opinion on it, unless in connection with subsequent letters.

5487. I will call your attention to the following paragraphs in that letter. "The Governor General in Council, though fully sharing in the desire of the Bombay Government to uphold the credit of the bank, cannot suffer the revenues of India to be indefinitely pledged to the support of an establishment of the affairs of which he is kept in ignorance. The information furnished by the report of the directors contains little more than is to be found in the general statements of assets and liabilities published in the newspapers. That there may be no further misapprehension on this snbject, the statement which his Excellency the Governor-General in Council requires is comprised in the following particulars: "First, the banks, firms, and individuals to which the bank is under advances;" [You will remark that that is general.] "second, the dates and amounts of such advances; third, the securities upon which they have been made, and the sums advanced upon each security. The bank should have no hesitation in furnishing these particulars, which, having regard to the peculiar circumstances at present affecting the relations of the Government of India and the bank, his Excellency the Governor General in Council is bound to demand." I believe that the tabular statement at page 96 of the Blue Book

purports to be a compliance with that requisition?—I must beg to state that I do not think that it is so. The letter to which you have just referred is dated the13th of July. If reference be made to the bottom of page 57 it will be seen that there is a letter dated the 19th of September, from the Chief Secretary to the Government of Bombay, forwarding to the Governor-General the report of a special committee which had been appointed to go carefully through the whole of the claims of the bank, and who had made the report which is printed at pages 58 and 59 of the Blue Book. I am not aware that up to that time this letter of the 13th of July had been replied to.

5488. It was not replied to; but you will find that on the 23rd of August 1866 information was again demanded. The letter of that date contains the following passages: "The wide difference between these losses, combined with the very meagre particulars contained in the half-yearly report above noticed, justify the entertainment of grave doubts whether the position of the bank has ever yet been stated as faithfully as the Government, in common with other shareholders, have a right to require. Until the Government of India are in possession of the particulars required in the 15th paragraph of my letter of July 13th," (that is, the paragraph which I have read,) "the Governor-General in Council will not be in a position to form a sound opinion of the position of the bank, or to arrive at any conclusion as to the future maintenance of a connection between the Government and the bank." So that there again the Government of India calls attention to its demands of the 13th of July?—I should wish to state that that letter was also despatched by the Government of India, before the despatch was sent to them containing the information which had been obtained by the special committee.

5489. I will follow the whole correspondence out. Then comes the next letter, dated the 13th of September 1866, from the Government of India to the Government of Bombay. "With reference to my letters dated the 13th of July and 23rd August 1868, I am desired to inquire when Government may expect the information therein required relative to the position of the Bombay Bank. In view of the approaching termination of the contract with the bank, it is desirable that there should be no further delay in considering the arrangements which may be necessary for the future transaction of the treasury business at Bombay"?—That was also before the date of the information.

5490. Then again, at page 60, the Governor-General says, on the 3rd of October, after that report of the committee of shareholders, "The wide discrepancy between these several estimates, framed during a period not exceeding six months, renders it more than ever necessary to insist upon the production of the detailed information which the Government of India called for in the 15th paragraph of their despatch to Bombay dated the 13th of July last, No. 1456, but which, notwithstanding repeated reminders, has not yet been furnished."—Exactly.

5491. Then when you had that letter you at last sent information to the Government of India. You say to the bank on the 24th of October, "I am directed by his Excellency the Governor in Council to request that the directors of the bank will be so good as to favour Government as early as possible with information in the accompanying form regarding the position of the bank? (*vide* extract from Exhibit marked C 5.)—Yes.

5492. I believe that that form is in your handwriting?—Yes, it is certainly in my handwriting; and the only remark which I have to make upon it is this, that although it is in my handwriting it is not in company with the papers which probably would have rendered it unnecessary for me to appear here to-day. The letter of the Governor-General of the 3rd of October, which has just been referred to, was written on the receipt of the report of the special committee. I must beg to observe that the detailed information I cannot give; but there is a break between the letter of the 13th of July and the transmission to the Government of India of the report of that special committee. The report of that special committee was simply sent on with a forwarding letter. Then it was answered in this letter of the 3rd of October. This letter of the 3rd of October, in spite of that report, requests the information which was asked for in July, and must have been received in Bombay about the middle of October.

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5493. I do not understand your point. Do you mean to say that the report of the committee at page 58 of the Blue Book is any compliance with the letter of the Government of India of the 13th of July 1866?—I do not; it has nothing to do with it. I am wrong in saying that it has nothing to do with it, because every former letter from the Government of India must have been borne in mind in taking into consideration any action upon any subsequent letter. So long as this particular form is not brought into the matter, I am willing to put the matter aside.

5494. Am I to understand you that no reply was sent to this letter of the 13th of July 1866?—I am sorry to say, that until the course of correspondence connected with that letter becomes mixed with the correspondence which originated out of the answer of the Government of India to the report of the special committee, I am not able to give any information about that letter. To the best of my recollection, I do not know that that letter was before me, until it came up with the subsequent papers which followed on the report of the special committee.

5495. Have you read the papers?—Yes.

5496. I ask you whether there is anything else to which the statement at page 96 of the Blue Book can be referable than the request of the Governor-General at page 28?—On the receipt of this letter of the 3rd of October from the Governor-General, intimating that the report of the special committee was not all which they desired to have, action was taken, through the proper departments (and no doubt upon the details of it the persons in those departments can give full evidence), which resulted in the preparation of a draft reply to that letter, which must afterwards have assumed the form of what is contained in letter No. 987, of the 22nd of October, the 9th paragraph of which is twice referred to in these papers.

5497. Where?—Once, at page 61, at the end of paragraph 3. I am sorry to say that that letter is not forthcoming. It is the reply to the letter from the Government of India of the 3rd of October, and I believe that if it had been here it would have explained itself, and also would have explained this statement, especially if it had been accompanied with the note with which this statement is recorded. At the bottom of page 94 reference is again made to the 9th paragraph of the letter of the 22nd of October, which was the reply to the letter of the 3rd of October.

5498. That letter has not been produced, and the Government have told us that they have produced all letters?—I may mention that it is not in this office. I have been particularly anxious that it should be produced, but it is not in the India Office. It would have been very much more satisfactory to me that it should be here, accompanied by anything which I put on record at the time, without which I cannot so well explain the matter, but I will try to explain it.

5499. Was the tabular statement on page 96 meant to be a compliance, to any extent, with the requisition of the 13th of July 1866?—The reply of the 22nd of October was, I believe, in the form of a protest against that call; that is to say, against the indiscriminate and promiscuous disclosure of the whole of the circumstances and the name of every person who had received accommodation from the bank at that date.

5500. Upon what ground did the Government of Bombay object to inform the Governor-General of the amount of all advances?—I am not aware that they ever objected to inform him of the amount of all advances.

5501. It is not included in the tabular statement at page 96?—Quite so; but he had called for the names.

5502. I understand your case to be this, that the tabular statement is drawn up in pursuance and in conformity with a letter which is not disclosed, which the Government of Bombay wrote to the Government of India on the 22nd of October; is that so?—No; that tabular statement accompanied that letter, and it had a very special and a very practical object, but its object was not to profess to be a compliance with the call made in July. The Government of India not only had a desire to get a full statement of the affairs of the bank (and I must remind the Commission that what the Government of India were then calling for was not information to criminate any one, or to reopen any controversy), but as to the commercial and financial position of the bank. One

very particular object of their solicitude at that time was an Act for amending the new charter of the bank, which was passed at almost this very moment, and which had led to a discussion in the Council, as to the propriety of reimposing some limitation upon the amount to which advances might be made to a particular bank or firm. That proposal was made by Mr. Hunter himself, who had been the chairman of the special committee. It was supported by myself, but we were overruled; and just at that moment, when this statement of the objections of the directors, who then felt that it would be disloyal to their constituents to give the names of all persons who had dealt with them, was sent back in reply to those reiterated calls, it appeared to me, and it appears to me now, that it would not only throw a strong reflective light upon the general management of the bank, but that it would come before the Governor-General at the time when he was considering the charter which had just been passed, and would enable him to decide upon the wisdom, or unwisdom, of what had been done.

5503. If I understand you rightly, the letter of the 13th July was never answered by the Bombay Government?—I am not aware of any answer to it, and I am not aware of what became of it.

5504. Then I am to understand that the Government of Bombay declined to furnish the Government of India with the information which they wished for? I do not care in what terms they did so, whether in civil terms or in other terms; but in substance did not they decline to give the Government of India the information sought, namely, "The banks, firms, and individuals to which the bank is under advances; the dates and amounts of such advances; and the securities upon which they have been made, and the sums advanced upon each security?"—To the best of my belief what they did was this———

5505. Did they in substance decline to give to the Government of India that explanation? Will you say Yes, or No, in answer to that question?—If submitting to a superior authority a remonstrance, with an intimation that the requirement is believed to be unreasonable, constitutes a declining to do it, they did decline; in any other sense they did not.

5506. I ask you as a matter of fact whether they did state the banks, firms, and individuals to which the bank was under advances?—That was abandoned by the Government.

5507. But it was not abandoned until after this statement was sent in. They never abandoned the requirement for "the dates and amounts of such advances?"—No. They never answered that letter in which the remonstrance was sent by us until the beginning of January.

5508. Did not they say, in the beginning of January, "With regard to the statement of advances which has been so long and repeatedly called for by this Government, I am desired to observe, in the first place, that, as recorded in the heading, it is a statement of sums over due above the amount of three lacs for which on the 30th of June 1866 the Bank of Bombay was in advance by way of discount, loan, or otherwise, exclusive of loans on deposit (to the full value) of Government paper;" and so on?—Yes.

5509. Did they not further say, "This statement cannot therefore be received as containing a full and complete account of the bank's position in regard to its advances, inasmuch as there may be many sums for which the bank is under advance below three lacs of rupees, on which the bank may stand to lose as much in proportion as on larger amounts, and the aggregate of which may amount to a large sum?"—Yes.

5510. Did you, after the receipt of that letter, send to the Government of India a full statement of the amounts of the advances?—If I am not mistaken, that letter contains the authority of the Governor-General to enter into an agreement, which was the purpose for which he had made that communication.

5511. Did you answer this question; did you supply this information?—I certainly did not believe that they wanted it.

5512. Then you did not supply the information?—No.

5513. Did the Government of India ever receive from the Government of Bombay the dates of the advances for which the Bank of Bombay was liable?—Not so far as I know.

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5514. Did they ever receive any advice further than with respect to sums above three lacs, the securities upon which the advances had been made, and the sums advanced upon each security ?—Not so far as I know.

5515. After looking at that heading, I suppose I may consider you as the author and parent of this tabular statement ?—Certainly. I have already stated the object in my mind of the Government of India asking for it.

5516. Was that heading prepared in consultation with any of the directors of the bank ?—With nobody whatever. I have already stated the object of preparing it (and to the best of my recollection it is a statement which follows the words of the first charter of 1840) was to see what sums had been granted, to which there would have been a bar under the original Act.

5517. Then I am to understand that it was a happy coincidence that the heading is so framed as to give no information as to what the condition of the bank was on the 30th of July 1866; and that the effect of the statement consisting of sums over due above the amount of three lacs is to exclude all mention of the large loan of 25 lacs to Premchund, because his promissory note had not become due on the 30th of June ?—I know nothing about that.

5518. And to exclude the loan of 19,66,000 rupees to the Asiatic Bank, which had actually gone into liquidation before this date ?—I have stated the reason of the insertion of that date, namely, that it was the date of the report which the special committee was directed to revise. The term was afterwards extended by them, but Mr. Hunter's committee (which no doubt was in my mind at that moment) was to revise a statement which went up to the 30th of June 1866.

5519. Was not it the object of the Governor-General to get information up to date ?—I have already stated that the Government of Bombay recognized as reasonable the objections of the directors of the bank to the information asked for by the Governor General, and I was one of those who concurred in that opinion.

5520. Do you mean to say that the Government of Bombay thought that it was not reasonable to get information of the position of the bank up to that time ?—I have not said so. When the directors of the bank considered that it would be disloyal to the constituents of the bank to give that information, I considered that it was not reasonable.

5521. Was not the bank at that time in such a position that the fullest information should have been given upon the matter ?—The best answer which I can give to that question is, to refer to the report of the committee of September, and to state how that committee was composed. The president of that committee was Mr. Hunter, of the firm of Messrs. Graham and Company, a gentleman who was believed to have stood entirely aloof from all speculative transactions in Bombay, and a man of great soundness and sobriety of judgment. He had been more than once president of the Chamber of Commerce, and he was at the time a member of the Council in Bombay. Another member of the committee was, I believe, one of the most influential advisers of the Government of India in its transactions, namely, Mr. Edward Harrison, who was round in Bombay at that time, and who had an opportunity of going through every one of those figures, which would have been sent to the other side of India if the request had been complied with. And immediately on the back of such a report as that from a committee of persons perfectly independent, and aware of the bank's affairs, to ask for a complete disclosure (at a time of great local pressure) of every person to whom the bank up to that date had granted accommodation, did not appear to us to be reasonable.

5522. The date to which you refer is the 22nd of October 1865 ?—Yes; that letter.

5523. If the bank was ruined at that time, surely there would be no great harm in exposure ?—Surely, if the bank was ruined, the Government of India would not have renewed an agreement with it ?

5524. If the bank was at that time ruined, was there any harm in exposing that fact ?—I shall answer the question when I understand the sense of the words, and what is meant by "ruined."

5525. Three-fourths of the capital of the bank at least was gone?—As far as I, an unprofessional person, can judge, this statement, which was called for by the Government of India, seems to ask for everything against the bank, and for nothing in favour of it. Considerable difficulty was raised with regard to that matter. The statement asks for all the liabilities, but it says nothing about obtaining a sound judgment as to the probable recoveries. It would therefore show the very worst position possible, but it would not (especially if the names were left out, as was afterwards suggested,) furnish any means of estimating the probable recoveries.

5526. That is not the question; would not the information which the Government sought for, have given them the whole amount of outstandings?—Certainly.

5527. Would not it have given them the securities by which those outstandings were covered?—It would have given them the nominal value of them.

5528. Would it not, if it had been proper and full, have mentioned the names of the securities?—If it meant to ask whether in the case of advances which had been made on personal security it would have given the names of the persons there would have been no objection.

5529. Would not such a statement have given the names, for instance, of those who had obtained money on promissory notes, and shown the United Victoria and Colaba shares, and all the other rubbish which was deposited at that time?—Certainly; and the nominal value of the securities for loans which were not on personal security.

5530. Could not the Government of India have formed a very good idea of the position of the bank with those particulars?—In my opinion, not so good an idea as was formed by Mr. Hunter and by the Indian Government's own financial officer, who was at Bombay at the time.

5531. After such a damaging report as Mr. Harrison's report was, what harm would there have been in giving that information?—It was never asked for after that remonstrance.

5532. Do you mean to say that you supposed that the Government of India had abandoned their desire to have an answer to the letter of the 13th of July?—That is a speculative opinion which I hardly venture to form.

5533. Either you thought that they had abandoned their wish to have it, or not; and, if not, you ought to have sent it?—To the best of my belief they were desirous of not going into an *ex post facto* inquiry for the purposes of public justice, but were demanding this information in respect to the renewal of their agreement and relations with the bank; and their own answer to the letter of the 22nd of October contained an authority to the Bombay Government to renew those relations. I did not think that their calls were still operative. I should like to direct attention to a statement in that very letter of the 13th of July 1866, at page 28 of the Blue Book, paragraph 14:—"In the opinion of the Governor-General in Council, it would be very unprofitable to proceed further in a controversy in the recent history of the bank." I did not consider that the historical part of the matter was before us.

5534. Can you show me anywhere an abandonment by the Government of India of their call for this information at page 28?—I have stated that I think I can.

5535. Where?—In their authority to act in the very matter for the sake of which they had made those calls.

5536. That is the argumentative conclusion to which you came?—It may be a reasonable one or an unreasonable one, but it is mine.

5537. We are quite clear about one fact, namely, that that requisition never was answered by the Government of Bombay?—Never, further than in the letter of the 22nd of October; the information was never furnished.

5538. Did the Bombay Government ever send to the Government of India the dates and amounts of the advances made by the Bank of Bombay?—Not to the best of my knowledge.

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5539. Or the securities upon which they had been made, and the sums advanced upon each security?—No.

5540. Was not there a great disinclination on the part of the Bombay Government to send that information?—I really do not know. I should be very sorry to answer for any one else, but on my own part there was certainly very far from any disinclination so long as I thought that it could be done without disloyalty to others.

5541. What possible disloyalty could there be on the part of the Government to anybody connected with the Bank of Bombay?—I want you just to answer my question, how the Government of Bombay could be disloyal to the customers of the bank by complying with these inquiries?—I should say that the disclosure of the private affairs of any customer of the bank was a disloyalty.

5542. Is it your opinion that the supervision of the Government was to be a real, or unreal thing?—It was to be a real thing, certainly.

5543. If it was to be a real thing, how could you possibly imagine that they could ever get to the truth, as to the state of the Bank of Bombay, except by making such inquiries as the Government of India suggested?—The Government of India could have done it at once by sending round persons of their own to make such an inquiry, which would not have involved a disclosure, and they were told so.

5544. They were not told so in reply to their letter of the 13th of July?—No answer, so far as I am aware, was sent to that letter. They had been told. in the report of the Government directors, that if further inquiry of that kind was wanted the proper thing was to send people round to make it.

5545. I ask you whether any real investigation could take place into the affairs of this bank except by obtaining such information as the Governor-General demanded?—I think that not only what the Governor-Genoral demanded, but other information than what he demanded, was absolutely necessary to enable him to form an opinion.

5546. Then it was necessary, in order to get at the real position of the bank, to procure the information which he asked for?—I say that it was necessary to have that and more; but not that alone.

5547. Was not it the bounden duty of the Government of Bombay and the Government of India, considering their connection with the Bank of Bombay, to ascertain what the real state of things was?—The Government of Bombay thoroughly believed that they had done that by means of that committee.

5548. That is not an answer to my question?—It was certainly necessary to do so.

5449. It was necessary for the Government of Bombay and the Government of India to make a full and searching inquiry into the position of the Bank of Bombay?—Certainly.

5550. Then do you think that the Government of Bombay did its duty by declining to make that searching inquiry, and confining its inquiries to such a statement as that which is set out at page 96 of the Blue Book?—I have already stated that that statement was not intended to be an answer to the requirement, and that the Government of Bombay believed that they had obtained the further information through the special committee.

5551. Did the special committee state the dates and amounts of all advances?—I am not aware what their statement was.

5552. There was none, excepting what is in the Blue Book; and from that you will see that they did not do so. I ask you whether the special committee did state the dates and amounts of such advances?—I am not aware of what they stated further.

5553. Or the securities upon which they had been made, and the sums advanced upon each security?—They professed to have considered every individual instance.

5554. Did they set out in their report all the papers which came before them?—Not that I am aware of.

5555. Then how can you think that the report of the select committee was a compliance with the Governor General's request?—I must repeat, that in the sense of giving the name of every individual it did not purport to be so; but in every other sense I believe that it was so, that committee consisting of an officer in whom the Government of India had every confidence, and who was high in their service, together with mercantile men of great experience and sober judgment.

5556. Do you mean to say that the report of this committee did state the dates and amounts of such advances?—I did not say that they had stated it, but that they had made the inquiry.

5557. The Governor General wanted that set forth so that he might exercise his judgment upon it?—How he could exercise a judgment upon anonymous accounts I do not know, and if the names were to be given there was a protest against it.

5558. Would it not have been a great assistance to the Government of India in forming their conclusion to have had all that information?—Certainly, including the names.

5559. Or even without the names?—I think that it might have been very apt to mislead.

5560. You think that they would not have been able to form any estimate as to the advances?—I do not see how they could form any estimate in the case of advances upon personal security, or in the case of persons who were insolvent.

5561. Or of advances upon shares?—They might have formed an estimate in the case of some of them, if they were informed that there was a probability of an out-turn.

5562. Had not the Government of India plenty of opportunities of forming an opinion upon such matters?—Yes, through their own officers.

5563. At any rate the Government of India applied for that information, and did not get it. To us it appears most valuable information; it would have enabled them to see what the position of the bank was at that time. I ask whether you can in any way explain the reason why, apparently persistently, the Bombay Government refused to give that information?—As I have already stated, I am not aware of any reason except this one, that when these papers were before me (and on that one occasion, speaking for my own self personally, to the best of my recollection) my proceedings were guided by the views which I have just stated. I am quite unable to answer for any one else, and I should be extremely sorry if the Commission supposed that I was attempting to answer for any one else.

5564. I am afraid that we must go back a little upon this matter. Will you kindly tell us what the Bombay Government did on receipt of the letter of the Governor General of the 13th of July 1866?—I have already stated, and I must repeat, that with regard to any action taken upon any letter or correspondence in the Financial Department I can say nothing until the papers came before myself.

5565. That is not an answer to my question. I ask you what they did?—Until the papers came before myself I do not know; that is to say, I can only state what was reported to me.

5566. Do you know what was done by the Bombay Government on the receipt of that letter of the 13th of July?—My belief is that communication then took place between the Government and the directors of the Bank of Bombay; whether it was written or verbal I do not know, but communication took place as to whether this information could be furnished with safety or prudence, or not.

5567. Did the Government of Bombay suggest that to the directors, namely, whether the information could be furnished with prudence or safety?—I am not aware whether they suggested it, but I say that I believe that communications then took place between the Government, or such members of it as were primarily interested in this matter, and the Government directors, and through them with the other directors of the bank; that is, to the best of my belief.

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5568. You are not able to say whether it was in writing or verbally?—No. I know nothing of what took place then, unless it was put upon record.

5569. Who objected to produce that information?—My belief is (I speak under correction) that the Government directors, on consulting the other directors of the bank, stated that it was believed that they would not be doing their duty if they furnished that information; at least without stating their opinion that it would be unadvisable to do so.

5570. Did Mr. Lushington state that?—If Mr. Lushington was one of the directors.

5571. He was present about that time, was not he?—Then I should say that Mr. Lushington can give much better information than I can on that question. I was in Poona, and he was in Bombay.

5572. Do you know whether the objection was made verbally or in writing?—I do not.

5573. Do you know what was the exact nature of the objection?—My belief is that it would be that the state of the bank, being then critical, might be made desperate, by an entire disclosure of all transactions, with the names of the then customers of the bank,

5574. Was that reason satisfactory to the Governor?—As I believe that it is possible for the Commission to obtain his own statement on that subject, if there is no objection I should rather leave him to speak for himself.

5575. Was it satisfactory to you?—I certainly thought that it was a sufficient ground for making a representation to the Government of India.

5576. What were the grounds of that representation?—I believe that they were what I have just stated, namely, that in our opinion it would be disloyal and even dangerous. I hope that the Commission are quite aware that in all this matter I am speaking after three years, in the absence of the papers which would have made it quite clear, and to the best of my recollection.

5577. Were not the Government, shareholders in the Bank of Bombay?—They were.

5578. Had they not a right to examine the books?—Of course. They could only do it through some one. They had a perfect right to do that.

5579. What evil consequences did the Government of Bombay suppose would arise from a confidential communication to the Government of India of the names, and dates, and amounts of the advances?—To the best of my recollection, the risk which they apprehended was, that papers communicated to the Government, might at any moment be called for by Parliament or otherwise.

5580. That would be a process of time, would it not?—Supposing that Parliament were sitting it would be a process of some months. I am not prepared to say that the Bombay Government did not apprehend danger from sending all that information by post to the other side of India, without knowing who would see it there.

5581. Do you mean to say that the Government of Bombay could not have sent a confidential communication to the Government of India? Are they not in the habit of doing so? Is there no means of protecting such information?—In ordinary circumstances they would probably find means of protecting it from such a risk, but there is no absolute protection that I know of, and no means of protection against a Parliamentary demand.

5582. Then I understand that the Government of Bombay objected to produce these documents because it was possible that the subject of a confidential communication might leak out, and that it might, at some subsequent period, be called for by Parliament?—To the best of my recollection, one of the reasons why they were not given was that any communication, however nominally confidential, might be injurious to the constituents of the bank if sent through the post. If I am to state whether there was any other objection, I would refer to what I have already said. I cannot be perfectly certain that this was in the paper sent to me, but my impression is that there was also this

reason, namely, that if the information asked for was sent alone, it would not contain complete information, but only partial information.

5583. Do you mean to convey to the Commissioners that there was so little ingenuity in the Government of Bombay, or their advisers, that they could not frame a return which should convey that information without disclosing the names, and without disclosing the solvency or insolvency of parties, and so on, so as to give the Government of India very accurate information as to how things stood?—That is to say, information not only as to the amount of liabilities but as to recovery.

5584. Was there no person ingenious enough in the Government of Bombay to draw up a statement in accordance with these three requisitions, omitting the names, but supplying the defect of the want of names by statements as to the solvency or insolvency of the parties to whom advances were made?—It would have been possible, for instance, to frame a return in much the same shape as the partial return of sums over three lacs of rupees; but in that return the whole statement as to recoveries would have had to be taken on trust, in so far as they related to personal securities, or dividends on insolvent estates. I am not aware that any information could have been given without giving names. I am not skilled in these matters, but I am not aware of any.

5585. Was not there some other reason why the Government of Bombay did not like to disclose these particulars?—If I am to speak of myself, I say most distinctly that I know of none. My whole desire was to tell the truth, and the whole truth, but not the partial truth.

5586. Why was there so great a delay between the 13th of July, when the application by the Government of India was made, and the 22nd of October, when what you call an answer was sent?—I have already stated that in referring at all to that point I should be referring to what I know nothing about, and what others are responsible for, and what can be obtained from others. I cannot answer the question.

5587. Was there a good understanding subsisting at that time between the Government of Bombay and the Government of India?—That is a very large question. There had been in some departments of the Government of India a certain amount of antagonism.

5588. Was there any wish on the part of the Government of Bombay to conceal the bad management of the bank?—Speaking for myself, I can only say that to the best of my belief I certainly do not think that there is any foundation for such a supposition; and I must say that, if I am not mistaken in my recollections, the Government of India have somewhere stated that as regards recent management, that is to say, of any one at that moment connected with the direction of the bank, they did not impute mismanagement. As to persons who had passed away I cannot say.

5589. The letter from the Government of India of the 9th of January 1867 states, "This statement cannot therefore be received as containing a full and complete account of the bank's position." You remember that statement?—Yes.

5590. Is it not clear, from that statement, that what the Government of India had wanted was a full and complete statement of the bank's position?—Unquestionably.

5591. And that they complained that they had not received that statement?—I am not aware that in that letter there is any such complaint.

5592. They say, "This statement cannot therefore be received as containing a full and complete account of the bank's position in regard to its advances, inasmuch as there may be many sums for which the bank is under advance below three lakhs of rupees on which the bank may stand to lose as much in proportion as on larger amounts, and the aggregate of which may amount to a large sum." Do you suppose that that was an acquiescence on the part of the Government in that statement as being a full and complete account?—I have already stated, and I beg again most respectfully but emphatically to declare that it was not intended as a complete statement.

5593. Was it not quite clear from that letter that what the Government of India wanted was a full and complete statement?—Certainly.

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5594. Did you at any subsequent time to that 9th of January send a full and complete statement?—My honest belief, though I may be mistaken, is that the purpose for which the Government of India had been making these repeated requisitions was to enable them to judge whether they should renew the agreement with the bank, and in the very next paragraph to that which you have read, they agreed to the statement as proposed by the Bombay Bank.

5595. You refer to these words, "The Governor General in Council, therefore, after giving his anxious consideration to the present circumstances of the bank, cannot consent to the renewal of any agreement with the bank for a longer period than one year from the date of the expiration of the present agreement."—As to one year I am not certain. I referred to the next statement.

5596. "And a renewal for this limited period even must be contingent on the conditions laid down in the second paragraph of your letter of the 22nd of November, viz., 'that provided a statement that will be called for at the end of December next does not disclose a more unfavourable estimate of the losses sustained by the bank than that recently arrived at by the special committee,'" and so on.—Exactly; that was what the Bombay Government themselves had made a condition of recommending a renewal, namely, that the statement at that period should not be more detrimental to the bank than what had gone before.

5597. Is it not clear from the correspondence that the Government of India thought that the tabular statement at page 96 was an answer to their inquiry of the 13th of July; as much as you chose, at least?—That question is one as to an opinion of mine gathered out of these letters, and I hardly know how to give it. I hardly know to what extent they may have regarded it or not.

5598. I understand your case to be this, that the tabular statement was not intended to be a compliance with the letter of the 13th of July?—Yes.

5599. Was it not a compliance so far as you thought fit to comply?—I have already stated, with the utmost sincerity, the motive which prompted me to ask for it.

5600. I want an answer to my question; that is no answer. I ask you whether that tabular statement was not a compliance with the requisition of the Governor-General of the 13th of July, so far as you thought proper to comply?—I have already stated that it was not a compliance with it at all.

5601. I know it was not a compliance with it, and that is what I am complaining of; but was not it a compliance in so far as you thought that you ought to comply?—No, certainly not.

5602. Was it intended to be a compliance with no part of it?—Of course it would illustrate one part of it.

5603. Was it intended to be a compliance with no part of it?—I can only repeat what I have already said, that what it was intended to be I have already endeavoured to explain.

5604. Was it a compliance with the Governor-General's letter of the 13th of July, so far as you thought fit to comply?—I am speaking for myself personally. In making that suggestion I do not think that I was considering simply how much I could get, and how much I could not get, as to the state of the bank. I have already stated what was in my mind, namely, that it was for a legislative rather than a financial or commercial object.

5605. Do you mean to say that that statement was prepared without the slightest reference to the Governor-General's letter of the 13th of July?—No; of course not.

5606. Then was it not intended to be a compliance, so far as you thought fit, with the Governor-General's letter?—So far as we thought the information could and would be granted immediately.

5607. It was a compliance with the Governor-General's requisition, so far as you thought that it could immediately be granted?—I should like to qualify that statement. What was in my mind was not simply how much would be granted, but what would be the effect of granting this information with reference to a particular subject.

5608. Was it not a compliance with the Governor-General's letter, so far as you thought that it could or should be granted?—I do not know that it was as much as could have been got.

5609. Was it not intended to be a compliance with the Governor-General's letter, so far as you thought that it could and should be granted?—So far as accompanying a protest——

5610. "Yes" or "no" is all that I want; you may qualify as much as you like afterwards?—I can make no answer except in that form.

5611. Why not?—Because the action taken was not in reference to that.

5612. Are you prepared to swear that it was not intended as a compliance with the Governor-General's letter, so far as it could and should be granted?—My impression is that I did at the time desire to get a certain body of information, which to the best of my belief, or which I supposed it possible would be granted at once, and which would have an influence on a particular point; but I do not know that in my own mind I ever framed any notion as to whether it was all that could be got.

5613. I ask you whether it was not intended as a compliance with the Governor-General's letter of the 13th of July, so far as the Bombay Government thought that it could or should be granted?—The Bombay Government in their own letter, I believe, pointed out——

5614. Will you say "Yes" or "No" to that question?—I am afraid that I cannot. The Bombay Government in their letter, to the best of my belief, had pointed out how much more information could be got on this point.

5615. I am not asking that question; but I am asking you whether that particular tabular statement was not intended as a compliance with the Governor-General's letter of the 13th of July, so far as you thought that it could or should be granted?—I have very great difficulty in answering that question.

5616. I want to know the bearing of the document upon that particular letter. I ask you, and I cannot get an answer?—It was sent as furnishing valuable information.

5617. Valuable information with reference to the Governor-General's letter of the 13th of July?—Yes, certainly, with reference to this letter; but that that valuable information was the most which ought to have been sent, is what I cannot undertake to say.

5618. We will now turn to the tabular statement. It is headed, "Statement of sums over due above the amount of three lacs of rupees." Upon what principle did you ask for a statement of sums over due merely?—I will look at the statement, and see.

5619. There is not a word in the Governor-General's letter upon that subject.—No; I am quite aware of that. I believe that my intention in using the word must have been to avoid interference with current transactions; that, supposing any person who had received a large advance at a former time, was still receiving advances, he should not be included in this statement.

5620. Was not the effect of that to exclude loans which had been renewed, and renewed over and over again?—It was certainly not intended to do so, as there is a column here for renewals.

5621. Yes, but that was only the renewals of sums over due?—In that case it must have been my ignorance if it has that effect.

5622. There are many sums which have been renewed over and over again, and which have never been recovered to this hour, but they are excluded from this statement?—If so I must accept the responsibility of that.

5623. Why did you fix above the amount of three lacs of rupees?—Because it was the sum in the old charter.

5624. But why did you select the sum in the old charter?—Because, as I have stated, there had been a discussion in the Legislative Council only a few days before this, in which the expediency of re-imposing, for a time at least, a limit of that sort, had been agitated at the instance of Mr. Hunter, with whom I had sided.

5625. Did it not occur to you that that would really give no information to the Governor-General, or to anybody, as to the position of the bank?—

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I think that the letter of the Governor-General appears to represent that it had given him some information, although very incomplete.

5626. The whole argument is to the contrary. The letter states that advances of sums under three lacs may cause the bank to lose as much in proportion as on the larger amounts?—The Government of India say that it does give them some information. I can only say that it startled me.

5627. It startled everybody; but it would have done so much more if the real facts had been given. My colleague, Major Innes, points out that it was calculated to mislead the Government of India, for in their letter they say, "This statement cannot, therefore, be received as containing a full and complete account of the bank's position in regard to its advances." They therefore do not apply the full value to the word "over due." I can mention three sums, which amount to half a million within a fraction, which are excluded by that word "over due," namely, Premchund's loan, twenty-five lacs, the Asiatic Bank, nineteen lacs and odd, and another sum of between two and three lacs, and no doubt there are others.—I accept the responsibility of that statement, and the overlooking of that point by the Government of Bombay. It probably escaped their attention as well as my own. It was not so intended.

5628. The heading of the tabular statement goes on as follows: "for which on 30th June 1866 the Bank of Bombay was in advance"?—Yes.

5629. At the very moment when this return was made, on the 23rd of November 1866, it excluded Premchund. He was insolvent in September 1866, but his 25 lacs are not down because his promissory note was not due; but it was known in the bank that the loss was incurred.—I can only say that I know nothing whatever about that.

5630. Why did you fix the 30th June 1866?—Because that was the date up to which the accounts were to be revised by Mr. Hunter's committee.

5631. Would it not have been just as easy for the bank to make, and much more useful for the Government of India, if they could have got the account made up to date?—That was the last of the bank's half-yearly reports.

5632. Why did you go back more than a quarter of a year while giving information to the Government of India?—The object was to give that return at once.

5633. But it was just as easy to have made up the return to the day?—I have already said that if the effect of inserting the word "over due" was as is now stated, it must have escaped my notice.

5634. Did it ever strike you that the exclusion of the names would enable parties to fraudulently manage this tabular statement?—No.

5635. Look at the fourth item, "Financial Corporation." We have ascertained by evidence that that is the Eastern Financial Association.—Yes.

5636. There are twelve lacs under that item. Then look over the page to the branches, and you will find at page 99, "Financial Association," another name, 4,20,000 rupees at the branches.—Yes.

5637. The fact is that those were both the same, namely, the Eastern Financial Association, and by that means the bank concealed from the Governor General the fact that they had lent sixteen lacs to one of those worthless Companies.—The persons who prepared the statement would be answerable for that. I am myself strongly of opinion that an anonymous paper is, comparatively speaking, of small importance. I have stated so throughout.

5638. Could not that have been remedied by stating, in an additional column, what the position of the party was, whether he was insolvent, or what his position was to a great extent?—If something like deceit may be practised in the manner just indicated, it would certainly be much more practised in such a column.

5639. But still would it not be a guide and a help to the Government of India if it came from a trustworthy source?—Yes, I think so, supposing that it came from a trustworthy source.

5640. Was there no person in the Government of Bombay, or among its officers, who could be trusted to draw up such a statement?—I am not at all

prepared to say that. I do not think that an official person could have done it; but a person such as Mr. Hunter, and others, could possibly have done it.

5641. I understand it to be your bonâ fide impression that some real evil consequence was likely to ensue from the Government of Bombay sending to the Governor-General of India, in a confidential communication, the names and all the information which he wanted?—I have partly answered that question. What my own opinion upon the subject may have been is of very little importance, but, forming it upon the opinion of others who were much more experienced, I did believe that the state of the bank, which was then very critical, might under such circumstances have become desperate.

5642. Did not the very fact of the state of the bank being critical, render it a positive duty on the part of the Government to probe it to the bottom?—Not so as to make it desperate. My belief, founded on what impression I could gather from other people, was that it would do so.

5643. How could it have done so?—I suppose in the same way as in any commercial community.

5644. Take it to the bitter end. Suppose that it had been bruited about in Bombay on the next day that the bank had lost almost all its capital (there was not a lac left after that), how would the bank have been worse off than it is now?—As I had no detailed information of the bank then, and have now a very imperfect knowledge of its affairs, I can only state that the difference, as it appears to me, might have been between a critical state and a desperate state. People who were much more conversant with commercial affairs than I was, including Mr. Hunter's committee, had not reported that it was desperate.

5645. I cannot see that there could have been any danger in disclosing the full truth; nothing damages a bank, or any institution, so much as wild rumours about it?—It is impossible to lay down that there could not be such a thing as an imprudent disclosure.

5646. Yes; but it scarcely looked like that in this case. I suppose that the Government of Bombay considered itself subordinate to the Government of India in this question of the bank?—Certainly.

5647. And as always bound to respect the commands from the superior authority?—Certainly. It will be understood that in saying so I mean that the Government of Bombay claimed for themselves that reasonable discretion which all subordinates do occasionally claim, and, if they thought it necessary, submitting a respectfnl remonstrance.

5648. But more especially I believe the Governor-General of India in the Financial Department reigns supreme?—He does, to a very great extent; and, as I have already stated, one of the direct servants of the Government of India was in that position. If you are now passing away from that return, perhaps I may be allowed once more distinctly to accept for myself alone the responsibility of preparing that return.

5649. Was no minute of the Government recorded as to the preparation of this statement?—The regular form of course is, that when it is proposed to send an answer to a despatch of that sort the nature of the answer is indicated either by a draft letter or by a minute.

5650. You have no notion as to any letters passing with the Government directors at that time?—No.

5651. The time between the 13th of July and the 24th of October is a perfect blank?—I was in Poona, and whatever went on went on in Bombay where the Government was.

5652. You were a member of the Council at the time of Premchund's loan. Were you at all consulted, or referred to upon it at that time?—I never heard a word about it, except by the merest rumours, and I knew nothing about it. I was not in Bombay.

5653. Were you consulted at all as to the loan to the Asiatic Bank?—No.

5654. The Government directors never spoke to you about it?—No.

5655. (*Major Innes.*) What reason could there have been for such delay in giving this very important information, which the Government of India wanted

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at once. The very information which you drafted could have been given in less than a week. What was the cause of the great delay in a matter in which urgent and quick decision was wanted? There was the interval between the 13th of July and November.—I have already stated, with regard to that letter of the 13th of July, that I do not think that I was ever called upon for an opinion on it; and, if it was brought before me, it must have been in connexion with the correspondence of the 3rd of October.

5656. Some time after the 13th of July it must have come to your cognizance, as a member of the Government, (I cannot tell when,) that on the 13th of July the Government of India had asked for this information; they had sent repeated reminders about it. Can you give us any information as to why there was any delay at all in giving the best information which you could give, or would give?—To the best of my recollection, I did not hear then of the letter of the 13th of July.

5657. Till when?—To the best of my recollection, I did not see it, as I stated just now, until it came before me in connexion with the letter of the 3rd of October.

5658. Is it your impression, or in your recollection, that such information as you could or would give was given immediately?—It is very difficult for me to answer as to what I had no control over. The Secretary who managed the correspondence, or the head of the Government, would know much more about it. I can speak as to anything which came before myself, and as to that I have said that I do not remember the letter of the 13th of July coming before me.

5659. You have no recollection of its striking you that there was delay in getting this important information?—I have a recollection of being told that the letter was there.

5660. But you never saw any reminders on the subject?—Not that I am aware of. It is difficult, after three years, to speak positively. To the best of my recollection, I have no remembrance of seeing the letter. I am particularly anxious that it should be fully understood that I have been speaking for myself alone. I should be very sorry to have it supposed that I was speaking for anybody else.

DONALD MACLEAN sworn, and examined.

Mr. Donald Maclean.

5661. (*President.*) You were for some time employed in the Bank of Bombay, were you not?—Yes.

5662. In what capacity were you first employed?—I went out as assistant. I was first employed in the secretary's office; in the correspondence department.

5663. When was that?—In November 1863.

5664. When were you appointed to deputy accountant of the bank?—In September 1864.

5665. When were you appointed officiating chief accountant?—On the 1st of April 1865.

5666. When did you leave Bombay?—On the 20th of February 1867.

5667. We were going to ask you a great many questions with regard to the return at page 96 of the Blue Book, but we now find that you were not responsible for it?—I was present when it was completed, but the instructions for it were given when I was at Poona on sick leave.

5668. Have you looked at it?—I have seen the return.

5669. Did you, or not, take part in its preparation?—No; I had no part in its preparation, beyond examining it after it was completed.

5670. I should have thought that you would have examined it, because you put your name to it. Under whose instructions did you prepare this return?—It was drawn up under Mr. Robertson's instructions, which were given direct to Mr. Slight, by whom the return was prepared.

5671. Do you recollect any instructions being given to you to divide the debt of the Eastern Financial Corporation into two, and to call one the debt of a Financial Association and the other the debt of a Financial Corporation?—No. I noticed it in the papers; and I am convinced that it is a mistake on the part of the clerk who prepared the return.

5672. You do not believe that there was any design in it?—No design whatever; of that I am quite satisfied. It arose from the Corporation being so called. The Association, as they called themselves, was as often called the Association as the Corporation, at that time.

5673. Do you remember this passage in the return, "Over-draft will be paid in full;" that refers to Premchund?—Yes; I recollect seeing that.

5674. Were you a party to the insertion of those words?—No.

5675. By whose direction were they inserted?—It must have been Mr. Robertson's.

5676. What allotments of shares did you receive?—I got two during the time that I was in Bombay; I only got one when I was accountant.

5677. And the other you got when you were deputy accountant?—Yes.

5678. What were they?—Ten shares in the Mercantile Credit Financial Association, and ten in the Indo-Egyptian Bank; there is no such bank as the Indo-Egyptian now; it is now the National Bank of India.

5679. Did you not also have some shares in the Eastern Financial Association?—I had a small interest in five shares.

5680. They were purchased by you?—Mr. Watson purchased them.

5681. They were not allotted to you?—No.

5682. Does this letter refer to that transaction? (*Handing Exhibit E. 6. to the witness.*)—Yes. It says five shares, but it should have been ten.

5683. That letter is signed by you, and is addressed to Mr. William Watson. It is dated, "Bombay, 9th January 1864," and contains the following words: "I begin to suspect our speculation is not to be a very lucky one, but I shall hold on yet, and take my chance."—My explanation of it is, that about that time the Financial Association were issuing new shares, and Mr. H. D. Watson wished to take up the new shares; and being a personal friend of Mr. William Watson, of the Eastern Financial, I wrote, and asked him whether he would advance the money at Mr. H. D. Watson's request. He replied that he would, but I did not go into the transaction, as he wished me to sign a promissory note.

5684. Is that the only speculation in shares which you indulged in?—No; I had another in the Financial Association of India and China. Mr. Fraser, the inspector of the bank at that time, bought 11 shares, and I had an interest in the purchase to the extent of five.

5685. Had you anything else?—Not that I can recollect.

5686. Did you not buy any shares in the Asiatic Bank?—Never.

5687. Are all the shares for which you are made contributory shares which you held on behalf of the Bank of Bombay?—Yes; all, except those which I have mentioned. I had none of my own in the Asiatic Bank.

5688. The whole 345 old shares of the Asiatic Bank, as to which we find that you are a contributory, are shares of the Bank of Bombay put into your name?—Yes.

5689. You were accountant to the bank at the time of the advance to the Asiatic Bank, which is sometimes called a cash credit and sometimes an overdraft?—Yes.

5690. How do you explain those transactions? When a cash credit is opened for 20 lacs, and certain securities are deposited, and the account goes on, and the securities are realized, what ought you to do?—To see that the money is paid in.

5691. What do you mean by that?—In the case of the Asiatic Bank they frequently lodged bank bills as security, and they were handed over to the bank.

5692. They began by lodging some very good securities, promising to lodge a great many more very good ones, Government paper, for instance; then they began drawing, and against their drawings they realized some of these securities?—Yes.

5693. What ought you to have done when the securities were realized?—If

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the securities were realized by the Bank of Bombay, they ought to have been credited to the overdrawn account or the cash credit.

5694. Do you not immediately reduce the cash credit by so much as the securities have realized; is not that the right principle?—Yes.

5695. Was that done in the case of the Asiatic Bank?—I think so, to the best of my recollection.

5696. Just look at the list of securities. They were realized to an enormous amount, and yet at the end of the first cash credit the balance the evening before was 12,45,284 rupees. I want to know upon what principle of accounting that was? A man may go on for ever if his account is left in that state. This was really the practical working of the thing: they began by giving good securities; when the first cash credit came to an end you were left with a large balance, and with hardly any security, and then you were glad to get any security you could; then a new cash credit was opened without any fresh security, and they were allowed to run up to 20 lacs. (*The account was handed to the witness.*) I want to understand that. You will see that the first cash credit which was granted extended to the 13th of July, when a fresh cash credit was granted; on the 13th of July, when you gave the second cash credit, you had only 1,50,000 rupees of good securities, and all this rubbish of Mc Indoe and Rogers left; it is called 8,50,000 rupees, but it realized hardly anything. There is a balance of 12,45,000 rupees against the account the evening before, and there are only those securities left. The securities of McIndoe and Rogers only realized 63,000 rupees, after years of attempt to realize them. What ought to have been the proper system of accounting under those circumstances?—Certainly the bank ought to have seen that it had got the money for those securities.

5697. Ought not you, first of all, instead of carrying that cash credit to a current deposit account, to have carried it separately to a cash credit account; was not that the first error?—Yes.

5698. Then in the next place, after you had done that, when you had carried it in a separate ledger to a cash credit account, ought you not to have reduced the cash credit by all the securities as you realized them?—Yes.

5699. The effect of that would have been, notwithstanding your great disappointment in not getting the Government paper and something else, that you would have been in a very much better position. I want to know how it was that this cash credit was in fact mixed up with the current deposit account?—It was not under my orders.

5700. But you were the chief accountant at that time?—As a general rule, the ledger keeper had his instruction direct from Mr. Robertson, without passing through me at all. When Mr. Robertson sent a memorandum to him it very often went direct to him, and I never saw it.

5701. Look at the next cash credit. You there extended the cash credit up to the 1st of Septemer 1866; the second credit ends on the 1st of September. Just see what was the balance on the evening before. It was 16,52,000 rupees. How is it that you allowed them to go on drawing; they ran the debt up to 20 lacs after that?—It must have been under the secretary's orders, and of course in my position I had no right to dispute them.

5702. I understand that you disclaim any responsibility for that system of accounting?—Certainly.

5703. You admit that it was wrong?—I do.

5704. The real vice was that you mixed up the cash credit with the current deposit account; when you once did that there was no keeping the thing right. If you had stopped, and had held your hand, you would have saved three lacs; but I suppose that you were not responsible for that?—I was not; I simply acted under orders.

5705. Did you receive orders to go on cashing cheques afterwards?—Certainly. I never cashed a cheque in the Bank of Bombay without an order.

5706. There were three lacs actually lost by allowing that cash credit to be drawn upon after it was over. What is the proper practice when a cash credit

account is opened? Do not you always head the cash credit account with the amount of the intended advance?—Yes.

5707. What is the object of that?—To show the limit.

5708. To show the limit to any clerk, or anybody who is dealing with that account afterwards?—Yes.

5709. We find that on several occasions that was not done in the books of the Bank of Bombay. Was not that a very loose system of accounting?—It must have been an omission of the ledger keeper.

5710. But still the ledger keeper was under you, and you ought to have looked after him upon such a point as that. Did you deal with any speculations as distinguished from shares?—No, none whatever.

5711. You were never engaged in any speculation?—No.

5712. Did you know that any of the authorities of the bank were so engaged?—I knew that many of them had got allotments in shares, but I cannot say that I knew that they were speculating.

5713. Did you know that the president had allotments in shares?—No.

5714. Or Mr. Blair?—I knew that he had allotments, but he never told me that he was speculating.

5715. Or Mr. Robertson?—No. I knew that he had some shares; Back Bays and others.

5716. (*Major Innes.*) What was really your position in the bank as accountant?—Subordinate to the secretary and deputy secretary.

5717. Had you not responsibilities as well as subordination?—My duties were never defined.

5718. Did you take any steps to protect yourself in case of your being censured for anything which was wrong with regard to your books or anything of that sort while you were there as accountant? Any one holding a responsible position generally takes care to have his duties defined, and a set of rules to act upon.—I took care to have authority from the manager or the deputy manager for anything which I did.

5719. Verbally or in writing?—Generally in writing; almost always in writing.

5720. Were the subordinate accountants and clerks subordinate to you or to the secretary?—They were to a certain extent subordinate to me, and they could appeal to the secretary.

5721. I fancy that you consider yourself responsible for the accuracy of the books, and for the way in which the books were kept altogether?—Yes.

5722. Do you not consider yourself responsible for the way in which distinct accounts, cash credits, current accounts, and so on, were kept?—Yes; if it can be shown that it was not done under the secretary's orders.

5723. On the contrary, does it not lie with you to show that in the case of any divergence from what was customary, or what was considered proper, you had authority for departing from it?—Yes; but so far as I could, I kept the books in the same way as they were kept before I was made accountant; I made no change, and had no authority to make any.

5724. Then in any departure from the usual rule of the bank would you not consider it necessary to have a very careful record made of any orders of the secretary which directed such a departure?—Yes; I believe that such orders were kept.

5725–6. Whatwas your rule in keeping a cash credit in which securities were given, with reference to the mode of showing the existence and the reduction of those securities? It is a point of form. I think that you are responsible for knowing and showing how that was done?—The rule was, if the securities were given up, to see that the account was reduced by their value.

5727. How would that be done?—By an inspection of the account.

5728. Would it not be done by desiring the ledger keeper to put at the top of the book the diminution of the amount of the cash credit?—Yes. If it was an open cash credit a man might perhaps draw up again to the full extent.

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5729. Would you not see that the cash credit was to be reduced by the amount of the securities realized?—Yes.

5730. Did you do so in the case of the Asiatic Bank?—I should fancy not; but so far as I recollect orders had never been got from the secretary to reduce the amount. I could not do it of my own accord.

5731. You would consider yourself bound to know what was going on in these matters, and to see that any orders should be brought to your notice? —I did not know the arrangement between the Bank of Bombay and the Asiatic Bank.

5732. Do you wish us to understand that when the securities were realised the money obtained on those securities, when paid into the credit of that account, was not known to you or to the ledger keeper as being the result of the realization of securities?—Yes, it was known.

5733. Then if it was known why did not you take steps to get that transaction recorded in a proper way in the cash credit account; that is to say, that the maximum of the cash credit should be reduced by that amount? I should say that the onus rests with you, unless you can show that it ought not to have rested with you.—It is a good while now since the thing occurred, and I wrote to Bombay for some information both about this and some other matters, but I have not got it.

5734. Do you recollect anything about it?—I cannot say that I do.

5735. Is it not sufficiently important to rest in your recollection?—The affairs were so numerous that that does not rest in my recollection.

5736. That is one of the two or three large transactions in which the Bank of Bombay was concerned; it is a very serious one. So far as I can understand, if the form of that account had been properly kept, that is to say, if the ledger keeper had been told to reduce the maximum of the cash credit by the amount then paid in, there would have been no loss in connexion with the Asiatic Bank; and therefore it is either defective and wrong book-keeping, or it is an abnormal order of some authority; and I ask you, as accountant, whether you can give any explanation of that?—I am sorry that I cannot give you more information about it.

5737. You became accountant in April 1865?—Yes.

5738. Do you remember any new books being started then?—Yes. There was one which we called the general loan ledger, which included all sums advanced; it was commenced in 1865.

5739. Do you remember when?—It was just about the time that Mr. Blair left; and, so far as I recollect, it was continued up to the time of my leaving Bombay.

5740. What use was made of it?—It was submitted to the directors, I believe. It was always kept in the directors' room.

5741. What use was made of it?—It was a book of reference.

5742. Was it ever referred to?—Yes.

5743. What did it contain?—It showed at once what each man had had from the bank.

5744. Did it contain every item for which the man was liable?—Yes, in one general account.

5745. For instance, take the case of the loan to the Alliance Financial Association, in which Dr. Diver and Atmaram Madhowjee and others put down their names, would that be put down against Atmaram Madhowjee?—It was put against the directors' names.

5746. You say that it was a ledger in which the whole liability of each man was shown?—Yes.

5747. Was such a liability as that shown against Atmaram Madhowjee under his name in that book?—Yes.

5748. Have you any recollection of a great number of lacs being shown against Atmaram Madhowjee in that book, or anywhere?—In that book it would certainly appear.

5749. How do you know that it would?—If the book was properly kept it would.

5750. How do you know that it would?—The purpose for which the book was opened was to show the amount which each man had had from the bank.

5751. That was the object?—Yes.

5752. How do you know that that object was carried out? We know that the distinct ledgers must be rightly kept; there may be a wrong position of an item, but they must be otherwise rightly kept, because the totals must balance. This book is outside that, and it is a book which we never saw, and of which we never heard. I want to know what arrangement there was by which you would know that the items in this book were correct?—We have frequently had occasion to check it. Mr. Robertson always sent down a memorandum to me asking how much So-and-so had had from the bank. I made it up from the bank books, and then had it checked by this book.

5753. Have you any recollection of what sums this man, Atmaram Madhowjee, a comparatively insignificant man, had, and who was responsible to an enormous amount?—I cannot say that I specially recollect him; but I recollect such cases as you describe; Cama, for example.

5754. Can you account for the reason why that book should not have been shown to us?—I cannot account for it at all.

5755. It must have been a very large one?—It was a very large book.

5756. Do you think that it could possibly have been found to be of no use?—No; it was very valuable.

5757. (*President.*) Was it either of those books? (*The books before the Commissioners being shown to the witness.*)—No.

5758. (*Major Innes.*) Mr. Rodgie, I suppose, must have known of it?—The clerk in the directors' room had charge of it.

5759. Who was that?—Mr. Duncan; and Mr. Rodgie was constantly referring to it.

5760. For outstandings against individuals?—Yes.

5761–2. No director whom we have examined ever saw the book or heard of it.—They must have seen it. It was always lying in the directors' room.

5763. But was it prominently brought to their notice? One of the complaints which we heard from the directors was that they were misled as to the sums outstanding against any man, because, for instance, when they asked, "What other bills has this man got?" when an advance was wanted, the answer would come back stating what bills were out, but not what cash credits or loans there were; and thus, as a rule, they were misled as to what was outstanding against a man, (I do not say intentionally so,) because all the outstandings against him were not shown, but only those under the particular head which was mentioned. That would not have occurred if that book had been there?—Nevertheless the book was in the directors' room. I cannot say whether they referred to it.

5764. Were you ever present at a meeting of the directors?—No.

5765. Have you any notion how the accuracy of that book was checked?—By referring to the other books.

5766. How?—By taking the discount ledger, and so on.

5767. Periodically you made up lists of the sums outstanding against any person?—Yes.

5768. Every six months, I think?—Yes.

5769. A list of bills outstanding was made up?—Yes.

5770. A list of loans outstanding was made up?—Yes.

5771. And of cash credits outstanding, and so on?—Yes.

5773. Were these ever added together, so as to show the amounts advanced to one man, and so as to make up a total abstracted from that book?—It was checked with the general ledger. We took the total bills discounted, we took

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the total cash credits, and the loans, and so on, and put them all together; and of course it agreed with this book.

5773. How was it done; because it was not an easy thing to do?—The book could not be checked in one way; of course you could not make a balance; but this list was compiled from the bank books every six months, and then it was checked by this book.

5774. I want to know how it was checked from that book. We have prepared these lists. We had no book of that kind to use. If we had had it it would have saved us an immensity of trouble. We had eventually to make out a list, which would have been compared with the book, if we could have found it. Was any list like that ever made out before during your time in the bank? We wanted such a list, and asked for it, and it did not seem to have been prepared, and no one seemed to know how to prepare it.—There must have been a list like that, because it was shown to the directors. Of course the list would contain all the information in the large book.

5775. The large book would, as I understand, contain what no other book would contain; it would contain every liability against one man; that is what I understand you to say that the large book contained?—Yes.

5776. No other book could contain the same information?—No.

5777. Therefore I want to know whether you checked that big book; and if it was not checked, I want to know whether it might not be all wrong; and if it was all wrong, what was the good of it; and if it was checked, was not it positively found so incorrect that it could not be used?—It was checked every day, and I referred to it. I always made up my information from the bank entries, and in order to check myself I compared it with this large book. Of course if I found the total agree it was correct. I so constantly wished to ascertain how much any one man had had from the bank, my information on this point being so frequently asked for, that I believe all the accounts were very often checked in that way.

5778. You cannot tell us more about that book; it was never checked in a formal way?—No.

5779. Nor periodically?—No.

5780. Have you any recollection of the form of the book?—Yes; it was kept somewhat in the same style as the current account ledger, showing the current balance. We had a space showing what the matter was, whether a matter of cash credit or not, and then a column for the date, and a column showing the total.

5781. Did you put the interest in?—No.

5782. Then how did the totals come right? I suppose that the other accounts had the interest?—There was a progressive balance.

5783. And the interest was to be added?—Yes.

5784. Do you think that we shall find that book on going back?—Yes. You will find two volumes; one volume I believe was finished in 1865, and another was going on when I left.

5785. Do you think that any one used that book except the secretary?—I think that I have seen the directors look at it; but I cannot say positively. I think that Mr. Hannay has looked at it.

5786. Then, from April 1865, if any question was asked as to what amount was outstanding against any man, it would be incorrect for it to be confined to any one description of advance?—Yes, I should say so. In addition to this book there was a printed form, with the headings "bills discounted," "cash credit," or whatever a man had, and the description of the securities.

5787. When the periodical returns were prepared half-yearly or annually, you of course showed on one side of the accounts the sums due to the bank?—Yes.

5788. How were the over-drafts shown?—They were omitted; they were not put in at all.

5789. They must have been put in somewhere. Do you mean, that instead of increasing the sums advanced by the bank you lessened the current deposits

by the amount of over-drafts?—Yes; that was the way in which it was done. It was a mistake.

5790. Did the auditors notice that?—No.

5791. Was it their business to notice it?—I do not see how they could have noticed it. There ought to have been another account opened for over-drafts.

5792. Was that a useful audit?—Perhaps not.

5793. (*President.*) Have you been in communication with Mr. Blair and Mr. Robertson with regard to the evidence before this Commission?—No; I have not seen Mr. Blair at all.

5794. Have you written to him at all, or has he written to you?—Yes; I got a note from Mr. Blair last night.

5795. Have you had correspondence or communication of any sort with either of those gentlemen as to this book of which you have spoken?—None whatever.

5796. You are quite sure as to that?—Perfectly sure.

5797. It is an extraordinary thing that Mr. Stewart should not have given up that book to us. I have heard Mr. Stewart himself complain of the system, and state that his inquiries often failed to elicit how much was outstanding against a man; whereas if such a book as you have mentioned was in existence that would have been almost impossible?—I am almost sure that Mr. Hannay saw the book.

Adjourned to the 4th December at 11 o'clock.

Friday, 4th December 1868.

PRESENT :

President.

Sir CHARLES JACKSON.

Member.

Major McLEOD INNES.

Secretary.

F. D. CHAUNTRELL, Esq.

SYLVESTER DOUGLAS BIRCH recalled and further examined.

Mr. S. D. Birch.

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5798. (*President.*) This is Mr. Blair's handwriting; it is a note addressed to you (*handing Exhibit* Z 1. *to the witness*)?—Yes.

5799. He states in this letter that power was granted to the secretary to pass loans recommended by one director, but that that was not recorded?—Yes.

5800. He further says that Mr. Robertson recollects that Mr. Blair mentioned this circumstance to him, on the breaking up of one of the board meetings, and told him that you had put a note in your memorandum book. Was there any such order made, that loans recommended by one director should be passed?—Certainly not loans, as far as I can remember.

5801. Did you ever keep a note book of this description?—Never.

5802. Then you never stated that you would put it in your note book?—Never. All that I kept was a Letts's Diary, which was torn up at the end of the year, and I was not likely to put into it a thing of that sort.

5803. You never kept notes of the bank's transactions in those Letts's Diaries?—No.

5804. Are those Letts's Diaries in existence?—No; they are all torn up. I never kept them after the end of the year.

5805. Did you ever say that Mr. Blair, as secretary, had more power than might be given to another secretary?—I do not remember saying anything of the sort.

5806. Did you return any answer to that letter?—I did not. I never went near Mr. Blair again. There seemed to be a serious misunderstanding between us. I stated when I saw the Blue Book what I thought of the proceedings, and he wrote me that note. I never went near Mr. Blair, or near Mr. Robertson afterwards.

May I call attention to the minute of mine which you had the other day as to the powers of the secretary. It was on the 27th of April 1864. This is in Cowasjee's minute. I did not turn over the page the other day, and I stated my impression that it had nothing to do with the power of the secretary in granting loans or discounts. I say here, "Whilst retaining the sole responsibility, the board has not exercised a petty interference with the details of

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business, but laying down general rules for the guidance of the secretary, has given him a discretionary power to act in matters affecting the current business. I believe this to be the rule of all head offices, and that where there is a board, the secretary is the ministerial officer, not, as Mr. Cowasjee would have him, the colleague of the directors." Then I say, "I feel some difficulty in dealing with the other portion of Mr. Cowasjee's letter, and think it will be expedient that we should discuss with him what he includes in the term 'any matter secret' before passing an opinion. For my own part I have not the slightes objection to allow any proceedings in which I have taken a part being laid before the shareholders in the fullest detail." Mr. Scott states, "I entirely agree with Mr. Birch;" so that every one of these gentlemen knew what the powers conferred upon the secretary were. The whole of this goes to show what the voice of the secretary at the board was, and nothing further.

5807. Your observation applies to the fact that he had a voice at the board?—So he had.

5808. Is that your explanation of that transaction?—Yes. He talks about a voice at the board, and a veto. Mr. Cowasjee wanted him to veto our proceedings at the board. I say that he sits as our ministerial officer, and not as our colleague.

5809. There was more than that: Cowasjee says in his original letter of the 21st April, "I must express my opinion as to the defect of trusting the whole management to Directors without Manager has a voice in it, and to explain all to my co-proprietors of my reason for doing so. I must explain in detail, and to prevent misunderstanding I must here express that I am not bound to the Institution to keep any matter secret, except peoples credit and advances, as such I consider most vicious to maintain in a public Institution as Bank of Bombay."—He talks of financial arrangements at the end of that note.

5810. He adds; "But yet if my colleagues think contrary and to what extent I should keep secret, they should decide. Please put this paper in circulation amongst my colleagues and oblige. Cowasjee Jehangeer." I will read your Minute over again. "I confess that I do not understand the exact purport of Mr. Cowasjee's letter. He has given notice of two motions, neither of which he has brought forward, feeling that the sense of the whole Board was against him. In the course of discussion which has arisen out of Mr. Cowasjee's notices it has been shown that the power which he wishes to confer on the Secretary and Treasurer of the Bank is practically conceded to that officer." You say that it is not a veto which is meant?—No it means a voice at the Board.

5811. You go on to say, "and I am of opinion to as full an extent as is consistent with the proper and effective management of the Institution. Whilst retaining the sole responsibility the Board has not exercised a petty interference with the details of business." "But laying down general rules" —— Will you kindly tell me where those general rules are?—I think that they were in force in the old charter.

5812. Will you point out those general rules?—I cannot find them.

5813. You continue in your minute: "But laying down general rules for the guidance of the Secretary has given him a discretionary power to act in matters affecting the current business. I believe this to be the rule of all head offices, and that where there is a Board the Secretary is the Ministerial Officer, not as Mr. Cowasjee would have him, the colleague of the Directors." Then the rest is as to the other point. I think that it is probable that it is open to that explanation that it only applied to his being a colleague of the Board.

Then will you allow me to draw attention to the evidence of Mr. Jacomb, one of the Government Directors; he took his seat on the 9th of June 1864. He says that I was consulted in everything, and that he sat with me only at three boards, the 22d of September being the last time that he sat. My last sitting at the board was I think in the last week of June, before I went up to Poona, so that in July, August, and September I was not at the board with him. How he should have got the impression that I was being

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consulted when I was at Poona I cannot understand. He says that I was being consulted. Now I was at Poona the whole of July, August, and September, and my first sitting afterwards was on the 6th of October.

5814. He might have got the impression that you were consulted during the first month that you were with him at the board?—I think that there was no large loan before I left.

5815. There were a few loans in 1864.—Cowasjee was at the board when I left, and I did not sit with Premchund at all until he was re-elected on the 12th of December 1864.

JAMES LAW LUSHINGTON sworn and examined.

Mr. J. L. Lushington

5816. (*President.*) Which Civil Service do you belong to?—The Madras establishment.

5817. Are you in the financial department of the Government of India?—Yes; I am Accountant General to the Government of Bombay.

5818. When did you receive that appointment?—I think at the end of February 1865.

5819. When were you appointed a Government director of the Bank of Bombay?—I took my seat for the first time, I think, on the 16th of March 1865. I do not recollect the date of the appointment.

5820. I find that you became president when Mr. Lidderdale left?—Yes.

5821. What was that date?—I think that it must have been about the 17th of August; he left on the 10th of August 1866.

5822. And you remained president until the bank went into liquidation?—Yes.

5823. You were absent for a long time. You were absent when Premchund's loan of 25 lacs was made?—I was absent from the 1st of February 1866 to the 4th of May; but I think that it was two or three days later than that I took my seat at the board, I think about the 7th of May.

5824. You sat on the 8th of May?—That was the time.

5825. Did you receive any instructions when you were first appointed a Government director?—None whatever.

5826. Did you receive any orders as to how, and to what extent, you should communicate with the Government?—None whatever.

5827. You were left entirely to your own judgment as to what you should do?—Entirely.

5828. I think that the first resolution of the board after you took your seat was that of the 12th of April 1865?—Yes.

5829. Had the panic set in then?—It was commencing. I do not mean to say that there was a panic then.

5830. But a tightness in the market?—Yes.

5831. You were present at the meeting of the 12th of April 1865?—Yes.

5832. Who was the author of that resolution?—I cannot say for certain. I imagine that it must have been the president for the time being.

5833. Mr. Hannay?—Mr. Hannay.

5834. Did you approve of that resolution?—I imagine that I must have done so from there being no opposition to it.

5835. There might have been opposition?—But it is not recorded.

5836. No amendment was moved or seconded, but you did not disapprove of the resolution?—I disapproved of the rates at which the shares of some of the companies were to be taken.

5837. Did you think them too high or too low?—Too high. I objected especially to the rate for Bombay Reclamation Company's shares.

5838. Was that put to the vote?—When the rate was mentioned, I said that I thought that it was too high, and I think that the chairman replied, "I

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believe that there is no gentleman in this room, who would not be glad to buy any number of those shares at 25,000 rupees instead of 20,000." I was new to the place and to everything, and naturally felt that as my colleagues gave it their acquiescence they were better informed than I was.

5839. Then you did not press the matter to an amendment?—I did not. I was perfectly new to Bombay at the time. I had only lately arrived, and I think that it would have been presumption on my part if I had pressed my views too persistently against the views of my colleagues, who had so much greater experience than I had.

5840. Did they call your attention to the old resolution in which it had been resolved by the board, that every advance on shares should be brought to the notice of the board itself?—I do not recollect it's being mentioned at all.

5841. Was the resolution read out?—It must have been read out at the subsequent meeting.

5842. But you do not recollect its being read out at the time?—Very likely it was not put in form at the time when this resolution was passed. It very often so happened, that the scroll minutes were not in the same form as that in which they afterwards appeared, but were worked out subsequently.

5843. Did they mention to you, or did the secretary mention, the previous discussions upon this question, which are recorded in the scroll minutes of September 1863?—I have no recollection of the matter being brought forward in any way.

5844. They did not refer to the previous discussions between the members of the board?—I do not recollect any discussion taking place regarding it.

5845. You perfectly well knew that you were advancing on shares the calls of which were not all then made, and that you were advancing on the premia of shares?—I was aware that we were advancing on the premia of shares, but I cannot say that I knew whether the calls had all been made or not; I had at that time a great deal to learn regarding the Financial Associations and Corporations.

5846. You remark that it is said there that the advances were to be made at the discretion of the secretary?—Yes.

5847. Did that attract your attention at the time?—I cannot say that it did.

5848. Do you think that that was a prudent thing to do?—I do not think that it was at all a prudent thing to do, but my impression at the time was, that he had only the same powers as the secretaries of the banks of Bengal and Madras had.

5849. Who was to be the judge of who were first class applicants under that resolution?—I imagine the person passing the loan.

5850. The secretary?—The secretary.

5851. When you adopted that resolution did you think that you were sanctioning for the first time advances on shares?—Certainly; so far as I can recollect it had not been brought to our notice that advances had been made on shares previously to that time, but undoubtedly on looking over the books it appears that they had.

5852. You did not know that at the time?—No; there was nothing at all upon this resolution to show us that advances had been made on shares before.

5853. You did, I suppose, think at the time when you passed that resolution that this was the first sanction to your advancing on shares?—I thought that they were then obtaining a sanction to advance on shares.

5854. What did you understand to be the policy of the measure; what was its object and policy?—I understood that there were numerous persons in Bombay who were anxious to take up loans, but that their capital was locked up in shares, and that there was a temporary tightness, and that this would be a relief to that temporary tightness.

5855. By allowing them to raise money on the shares?—By allowing them to take up advances, and taking these shares as what was considered collateral security for the repayment of the loan.

5856. It did not occur to you at the time, that that was calculated to assist speculation?—I knew nothing about the speculation at the time.

5857. You had just arrived from Madras had you?—From Calcutta.

5788. Shortly after your arrival you became alarmed, will you state what it was that alarmed you?—When I first joined the board, the book of applications for loans and advances was not on the table; and after I had sat, I think once or twice, I asked where the books were; either the secretary or the president said "downstairs." On being told that they were downstairs, I mentioned that in the banks of Bengal, and Madras, the books were put upon the table, so that the directors might look into the loans and see who had received advances. It was agreed that that should be done; and at a subsequent meeting, on looking through the books, I found an entry of a loan to Pestonjee Cursetjee Shroff of five lacs. I asked upon whose authority it had been passed, and I was told the secretary's. That opened my eyes to the enormous power of the secretary, and I then asked whether he had that power, and was told that he had.

5859. Who said so?—As far as I can recollect it was the president.

5860–1. Mr. Hannay?—Yes, Mr. Hannay. I said that it was extraordinary that the secretary should have such powers, and I brought forward a proposition that his powers should be restricted, and limited to the powers exercised by the secretaries of the banks of Bengal, and Madras, and I quite expected to have found some notice of it in the minutes. I was surprised, on reading over the evidence given in Bombay, that such was not the fact.

5862. That is the resolution which was passed, is it not? (*handing the minute of the 4th of May* 1865 *to the witness*).—Yes.

5863. Is that the resolution which you proposed?—It is not at all the resolution which I proposed. What I proposed was that the powers of the secretary should be limited to the powers exercised by the other secretaries.

5864. Did you regularly move it, and was it seconded?—I do not know that it was seconded. I thought that it had been carried without any dissent.

5865. I find that you were present at the next meeting on the 11th of May, when the minutes of the 4th May were read and confirmed.—I was.

5866. Did you remonstrate?—I did not remonstrate, because no one dissented from limiting the powers of the secretary, so far as I can recollect.

5867. You limited them in a very imperfect manner?—Yes; but I do not know how far that resolution was with reference to mine.

5868. Then your proposition was not recorded?—There was nothing recorded of it.

5869. Then why did not you object to it at the next meeting?—I did not object because I supposed that as there was no dissent it would be acted upon; and my recollection is that Mr. Robertson, who was sitting at the board as secretary, said that he was very glad to be relieved from the responsibility, and therefore I thought that there was nothing further to be done in the matter, but that it would be carried out.

5870. This is the resolution which was passed: "Resolved, that no new constituent of the bank be allowed credit beyond rupees three lacs without the special sanction of three directors."—Yes, but that is not my resolution; I brought my resolution forward, and it seemed to meet with approval, and I thought that it would be acted upon at once, and I have reason for so thinking from these loans being brought before the board subsequently.

5871. Another reason will explain that, namely, that the great panic came on, and then all these loans were forced to be brought before the board.—I think that it was very much in consequence of that proposition of mine.

5872. We can find no evidence of it, and certainly you did not take the only

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means of having that evidence before us.—It was a matter of no controversy; it seemed to be assented to by all.

5873. Was not there a great discussion ? Did not Mr. Hannay say that if they did not leave great powers with the secretary it would be impossible to manage the bank ?—I think that Mr. Hannay, or one of the native directors, said that it was necessary to leave large powers in the hands of the secretary. I think that one director went so far as to say that unless he had very extensive powers some of the native constituents would remove from the bank, to which my reply was, that the sooner they did so the better, if they were ashamed of their loans, or were ashamed that their loans should appear.

5874. This was a very unbusiness-like proceeding. If that was your opinion on a very important matter you ought to have moved it, and have had it seconded, and entered upon the minutes.—Undoubtedly.

5875. I do not doubt that you had some conversation of this sort, and that you are telling us your impression truly, but it is impossible for us to suppose that any resolution was passed to that effect.—It was not brought forward in the form of a resolution, but more in the shape of a discussion, to which there was no dissent. I never moved it as a resolution at all; it merely came up in discussion of the matter.

5876. Then it was merely talk ?—It was merely talk, but as it was assented to, and as Mr. Robertson went so far as to say that he was glad to be relieved from responsibility, it did not strike me as a necessary thing to enter it upon the minutes at all.

5877. It was merely talk, and the matter was left there ?—To be acted upon as I hoped.

5878. To a certain extent; but it was never acted upon when the secretary did not choose to act upon it afterwards.—We could hardly tell that at the time.

5879. There was a great want of business-like precision in that matter.—That I cannot deny. I think that those minutes show how little business was brought before the board at the time.

5880. Just look at this minute, and what it seems to admit; it admits that you knew that the secretary was advancing to constituents of the bank more than three lacs.—I discovered it by seeing this done.

5881. That resolution, which you allowed to pass possibly from some want of experience, allowed the secretary to continue that practice in all cases up to three lacs.—That has never struck me. It does not say that the secretary was to have that power; it simply says :—"Resolved, that no new constituent of the bank be allowed credit beyond rupees three lacs without the special sanction of three directors."

5882. There was no check beyond that, and, if that was the case, there was no check at all upon the power of the secretary to advance to anyone up to three lacs ?—I was quite under the impression that his powers were limited by that discussion.

5883. That shows the danger of leaving things to impressions.—Exactly, it is the result of not having these things recorded.

5884. The effect of that resolution is to allow the secretary to continue the practice up to three lacs, and he was only restricted when new constituents applied for more than three lacs. Under that resolution he might grant to old constituents more than three lacs.—That is not the way in which I read it. I do not understand that this empowers the secretary at all.

5885. It was an instruction, as I understand, to the secretary; nobody disputes that ?—The secretary is not mentioned.

5886. Then to whom was it an instruction, if not to the secretary ?—It was just a resolution of the board to limit the advances, so far as I can see.

5887. Then according to your present evidence there was no restriction

upon the secretary?—I thought that there was, from the discussion which took place, which was assented to by all persons, including the secretary himself.

5888. Then you say that this resolution was not an instruction to the secretary?—I do not read it so, the secretary is not named.

5889. What did you deem the powers of the secretary to be?—Similar to those of the secretaries of the other banks, that he could not advance beyond Rs. 50,000 without authority.

5890. That was before May 1865?—Throughout I thought that those were his powers.

5891. You do not mean to say to the end of 1866?—I do not recollect that we gave him any authority at all.

5892. Is it not the fact that in March 1866 you did not know what the powers of the secretary were?—I was not present at that time.

5893. Are you not aware of the correspondence which has passed?—I have seen it since the Commission sat, I never saw it before.

5894. Is it not clear that in March 1866 the directors wrote to the chairman, and asked him what the powers of the secretary were?—I should have been surprised, if I had been on the board at that time, to have seen that correspondence.

5895. But it is a fact that they did so?—It is a fact which I see on the evidence.

5896. And that the chairman, Mr. Hannay, did not know what the powers of the secretary were?—Nobody seems to have known.

5897. And he wrote to the secretary to ask him what his powers were?—Yes.

5898. The secretary replied on the 7th of March 1866, referring to the practice in the bank for some years past (including therefore your period), and claiming almost unlimited powers?—Yes; had I been present when that was brought forward, I should have been surprised to find such correspondence after the discussion which took place in May 1865.

5899. Does not that correspondence show very clearly that, although you may have had that impression from the talk which took place at the board that day, there really was no resolution come to?—I quite admit that no resolution was come to. There is another thing which has just struck me with regard to this resolution. I do not think that it was at this meeting that we had the discussion regarding the powers of the secretary. If I recollect rightly the loan of five lacs to Pestonjee Cursetjee was made on the 21st of April. The 27th of April was a board day, and I think that it must have been at the meeting subsequent to my seeing the entry of this loan that the discussion took place; but there is nothing whatever in the minutes on the subject.

5900. Why did not you object at the next meeting to its not being entered on the minutes?—Because it was not brought forward as a formal resolution at all, it was not seconded, but the matter was discussed, and as I understood assented to by all.

5901. If it was not thought of sufficient importance to be brought forward as a formal resolution, what was it but mere talk?—It seems to have been mere talk.

5902. You remark that Mr. Hannay, who was the chairman acting with Mr. Robertson, when he got Mr. Robertson's letter of the 7th of March 1866 did not dispute its accuracy?—He did not; I have read that correspondence and I cannot understand it. I had no doubt in my own mind that what I have stated was to be the rule after we had that discussion.

5903. I believe that in consequence of that correspondence certain byelaws were passed on the 31st of March 1866?—I was not present at that time, and I never saw them.

5904-5. We have evidence that you made an attempt to stop the malpractices which were existing; and I will now show you another attempt of yours when you first came upon the Board, which if it had been persevered

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in, I think might have been productive of good effects. (*The President here read the various minutes recorded in Exhibit A* 70, *and the following minute by witness on Exhibit A* 71: "Loans on personal security are strongly advocated by our president and the late president, but I would ask whether it is not upon such loans that our greatest losses are likely to occur?") You took a right view I think at that time; you were overruled on that occasion?—Yes.

5906–7. Did you persevere in your opposition to granting loans on personal security?—I do not know that I can recal any loan granted simply on personal security.

5908. There were some afterwards.—I do not recollect them.

5909. Do you mean to say that they gave way to you on that occasion?—They overruled me on that particular occasion; but I think that for the most part they took security where they could.

5910. But they constantly renewed after that without security?—I cannot recal renewals; in fact I cannot say that the renewals came before us.

5911. The renewals were left to the secretary and the president, were they not?—I cannot say that they were left to the president more than to the other directors. After a time I think that all these cases were brought before the board. I do not know that the president had any special powers.

5912. I think that you afterwards advanced to Hormusjee Cursetjee Chinoy without further security. There were securities deposited on the 20th of March 1866, but on the second loan upon the 5th of April there was no security?—I was not present then.

5913. The panic set in about this time?—Yes.

5914. And there was a run on the bank, was there not?—Yes; the Agra and the Mercantile banks withdrew their deposits at that time. I think that they withdrew about 50 lacs between them, so far as I recollect.

5915. Shortly afterwards inquiries came from the Governor General, and the Bombay Government?—Yes.

5916. And you were directed to inquire, and report as to the state of the bank, were you not?—Yes.

5917. What sort of an investigation did you make into its affairs?—We had some knowledge of what was going on at the time; we got some information from the bank itself, which will be found in the report to Government.

5918. I want to understand what investigation you made; for instance, did you go all through the securities?—No.

5919. Did you examine the documents upon which the advances were made as to their form; the bonds, and so on?—We did not.

5920. Did you in fact go to the secretary and ask him for information, and rely upon him?—We got information from the secretary, I think, at the time, but I cannot quite recollect at this moment.

5921. Was not it the fact that you got your information a good deal from the secretary?—Of course we did.

5922. And not from personal examination of these things yourself?—No, we got the information from the bank officials. Unfortunately I tore up almost all my papers concerning the bank before I left Bombay, thinking that there was to be no inquiry, or I could have put in the returns which we received from the bank.

5923. We will turn to your report of the 30th of June 1865; you there say, "In reply to your endorsement No. 583 of this day's date, forwarding for our information, and for any observations we may wish to offer, a copy of a despatch from Her Majesty's Principal Secretary of State regarding the advances made by the Bank of Bombay on shares of certain Joint Stock Companies, we have the honour to submit the following explanations." You do not seem to dispute there that you did advance on the shares of certain Joint Stock Com-

panies?—My understanding of the thing was this, that we took from the parties a promissory note, and that we took the shares as collateral security.

5924. That was of course advancing on shares as much as anything could be?—I do not know that. That is a system which I believe is admitted in the Bengal Bank. Mr. Dickson, I think, admits in his letter to the Bank of Bombay that that system was pursued there.

5925. According to the correspondence no doubt they have done so. I cannot enter into that. I am not finding fault with the system, but I want to understand what you meant by collateral security, and by stating in the letter of the 9th of November 1865 that you never lent "directly on shares." Were you present on that day?—Yes, I think so.

5926. There is a tacit admission in the letter of tke 30th of June 1865 that you had advanced on shares, but on the 9th of November 1865 you write a letter saying, "The Bank of Bombay has never advanced money directly on shares; but during the trying crisis that occurred in the early part of this year, the times were so exceptional, that the directors considered it prudent, seeing so much money was lent on personal security only, to obtain as much collateral security as possible, when granting loans. This was done, and it enabled the bank to assist many of their constituents." Then again you say in the same letter, "With reference to the alteration of the charter, this is a matter over which the directors have no control, but seeing that the clause referred to has never been taken advantage of——."—What was meant by that?

5927. The clause as to other public companies in India. You were answering a letter of Sir Charles Wood, asking you whether you would have any objection to that clause being rescinded, and you said "With reference to the alteration of the charter, this is a matter over which the directors have no control, but seeing that the clause referred to has never been taken advantage of, the directors do not see that any change is either necessary or desirable."—I imagine that that letter was written upon the supposition that we did not advance directly, as there stated, but that we took the promissory notes of the parties, and then took the shares as collateral security.

5928. If you lent the money on a promissory note originally, you might afterwards take the shares as another security, but if you lent the money upon a promissory note and the deposit of shares, did you not lend it upon shares as much as upon the promissory note?—Perhaps the more correct term would have been "additional" security instead of "collateral."

5929. Collateral security means security side by side, it does not mean additional security; you used the term as if it were some sort of secondary security, whereas you lent as much upon the shares as upon the promissory note?—I do not know whether it was secondary security or not. I dare say that the loans would not have been granted, without the shares being deposited.

5930. How can you possibly say that you "never advanced directly on shares;" you sometimes took shares after you had advanced money; in such cases you may be said not to have advanced upon shares, but in the great majority of cases a man obtained a loan upon signing a promissory note, and depositing shares, and here you admit it?—Yes, but I state it as collateral security.

5931. Collateral to what?—Collateral I suppose to the promissory note.

5932. Would it not have been better to have stated that?—I do not know that there was any intention to conceal the matter.

5933. I shall ask Sir Bartle Frere whether he was deceived: but it might have been collateral to some very good security. There is no explanation in this letter of a most important thing, namely, that you were lending money on promissory notes, that is to say, on personal security?—No; we did not entirely lend upon personal security.

5934. Sometimes you did to very large amounts?—Not I think after a certain date; I do not think that at that time we did so.

5935. You were giving a report as to the bank, and were not stating what you were doing at that actual moment?—I think that it was with reference to the resolution of April 1865, in which we consented to take these securities. We were reporting upon that period.

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5936. You were reporting upon the whole state of the bank, as I understand it, and the most extraordinary thing is, that there is not the slightest disclosure in this report of a practice which prevailed continually, of lending money upon a mere promissory note; did you, or did you not, know that that was done?—I do not think that I was aware of it at the time; the only time that I recollect its coming to my notice I opposed it, that was in May 1865; that was two months after I joined the bank.

5937. But did you not know that it had been continually done previously?—I cannot state so at this moment.

5938. Mr. Brown said, "We cannot change our practice just on a sudden at this moment."—If it had been a safe practice before, I do not think that it would have been a safe practice at that time.

5939. That is getting away from the point; my point is, why you did not state this practice in this report, of lending money upon personal security only; you did not even disclose what the security was collateral to; you said in your letter of the 30th of June 1865, "The above shares were taken as collateral security;" collateral to what; did the Governor, or anybody connected with the Government, ever ask you to what they were collateral.—No.

5940. It is kept perfectly dark, and the whole system which had prevailed for a year before, of lending money on personal security only, when they thought the man was good, is not mentioned in this report.—But you will find very few cases in which that was done.

5941. I will show you a great number, and in which shares were taken afterwards when the bank officials found that they were getting into a scrape; in the case of the Eastern Financial Corporation there were ten lacs lent on personal security.—That was before my time.

5942. But I am talking of your report, which is a report of the proceedings of the bank.—Have you the letter before you?

5943. Yes. The Governor-General wrote to you as follows (page 2 of the Blue Book): "The chief points on which information is desired are the precise position of the bank in regard to its assets and liabilities; what have been the losses of the bank since the commencement of the present commercial crisis; what is the present amount of overdue bills; what proportion of their amount may be fairly expected to be realized; and what are the prospects of the bank with reference to the bills which have yet to run. The report should also state whether the provisions of the bank charter have been duly observed, and at what rates advances have been generally made on shares of public companies; whether they were made on shares at the market price of the day, or at a par value of the shares, or at any fixed rate below that amount. The Governor General in Council would hope that no loans have been made on the stock of public companies beyond par value of such stock. If the provisions of the bank charter, as defined in Act X. of 1863, have been departed from, his Excellency the Governor-General in Council desires to know whether the Government directors gave their assent to this departure; and if not, whether any representations were made by them on the subject to Government. In the former case the Government directors should be called upon to submit an explanation of their proceedings, copies of which should form enclosures to the report. I am to request that information on the points above referred may be furnished as soon as it can be obtained." That was the letter.

Then there was another letter (it is at page 4 of the Blue Book) from the Government of Bombay: "I am directed by his Excellency the Governor in Council to request that you will draw up, for submission to the Government of India and Her Majesty's Principal Secretary of State, a confidential report on the present state of the Bank of Bombay, with special reference to the causes which have induced the present difficulties of the bank, and which are said to leave little hope of a dividend to the shareholders for some time to come." One of the causes which had led to the difficulties of the bank was lending money on promissory notes.—Was this letter a reply to the other?

5944. Mr. Chapman wrote this letter to you the day before your report of the 30th of June 1865.—Our letter is dated the 30th of June, and we did not know at that time that there was to be no dividend.

5945. You were asked generally to report upon the position of the bank?—Yes.

5946. Then I say how is it that you did not disclose the fact that large amounts of money had been lent upon mere promissory notes; money which has never been recovered to this hour; not one loan, but many?—I see that we begin our report by bringing forward the resolution.

5947. You may rely upon it that there is nothing about it here. It is in reply to a letter of Her Majesty's Secretary of State, "In reply to your endorsement, No. 583. of this day's date, forwarding for our information, and for any observations we may wish to offer, a copy of a despatch from Her Majesty's Principal Secretary of State."—You were reading a letter from the Governor-General, were you not.

5948. I was reading a letter from the Governor-General, and from your own Government, written by your own colleague, Mr. F. S. Chapman, to you, as instructions; that is No. 572.—Then this is not a reply to that letter; this is our report upon the affairs of the bank, and it commences, "In reply to your endorsement No. 583 of this day's date;" that is of the 30th of June.

5949. This report has always been understood to be an answer to the application of the Governor-General.—Unfortunately I have not the letter to which this is a reply.

5950. Here is the letter by your own colleague, Mr. Chapman, calling upon you to make a report, and that was the only report which you ever made. If that is not the answer to that letter, where is the answer to it? Mr. Chapman never disputed that. He said also that the Governor-General's letter was sent to you before you wrote that letter.—I cannot think that this letter before me could have been a reply to that letter. The letter of the 29th of June says, "With special reference to the causes which have induced the present difficulties of the bank, and which are said to leave little hope of a dividend to the shareholders for some time to come."

5951. That is only an observation of his; but he wants the causes which led to the difficulties of the bank.—That letter is No. 572, but our letter of the 30th of June is "in reply to your endorsement No. 583."

5952. There has never been a dispute to this hour that that was a reply to the requisition of the Governor-General.—This is referring to a copy of a despatch from Her Majesty's Principal Secretary of State; there is not a word about the Governor-General's letter in it.

5953. But is it not a report of the state of the bank?—I imagine that it is intended as a report of the state of the bank.

5954. And had not you, when that report was made, this letter, and a letter of the Governor-General before you. Are you prepared to contradict Mr. Chapman's evidence upon that point?—I am not prepared to contradict Mr. Chapman's evidence, but I can only say that in our reply we refer to another endorsement without referring to the letter from the Bombay Government, or the letter from the Governor-General in Council.

5955. I have no doubt that No. 583, whatever it was, just forwarded the Secretary of State's letter, but it is impossible for you to have been answering anything else than the inquiries made of you by the Government of India and the Government of Bombay. Then I must take your answer to be this, that that letter was only intended as an answer to the Secretary of State?—It would appear to be such.

5956. Am I to understand from you that the Government of Bombay never answered at all the letter of the Governor-General of the 22d of June?—This certainly does not appear to be an answer to the Governor-General's inquiries.

5957. Nor to the letter written by your own colleague the day before?—I do not see that it is any answer to it, because it says, "You are requested especially to note the changes in the Direction and Secretary's Office," and there appears to be no reply at all to that.

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5958. Then I am to understand from you, that these letters, namely, the Governor-General's letter of the 22 l of June 1865, and this letter from the Government of Bombay to the Government directors, were never answered? —I do not see the answer among the papers, nor can I state whether they were answered or not; but to my mind, that letter of the 30th of June, written by myself and Mr. Chapman, is an answer to the endorsement forwarding the Secretary of State's letter.

5959. Am I to understand that the Government directors never answered at all this letter of the 22d of June from the Governor-General, or this letter of the Government of Bombay of the 29th of June 1865?—I cannot say that it was never replied to.

5960. Where was the reply?—I fancy a reply was written, I do not know where it is; it certainly does not appear there.

5961. Did you not intend this letter of the 30th June to be a sufficient answer to those other letters also?—That I cannot say at this time. I cannot say whether there was a second letter or not.

5962. If not, why did not you answer this letter of the Government of Bombay?—I cannot answer that question, for I do not know; and I do not even know whether we did or did not answer it. That letter is evidently not a reply to the Governor General's letter, neither is it a reply to Mr. Chapman's letter.

5963. Did not you intend it to be a report on the whole subject of the Bank of Bombay?—I think that if we had been replying to the Governor General's letter we should certainly have noticed the points which he had taken up; and therefore I do not think that it could have been intended as a reply to that letter.

5964. And you did not intend to reply to the letter of your colleague written the day before?—So far as I can judge from that letter, it was a reply with reference to a dispatch of the Secretary of State.

5965. You did not intend it as a reply to the letter of your colleague, written the day before?—I imagine not.

5966. Although your colleague was the writer of that letter?—I do not think that it is likely that this letter would have been answered on the very following day; in fact it is very likely that we did not receive that letter until after the other was written.

5967. Mr. Chapman must have known of it.—I cannot account for it.

5968. (*Major Innes.*) The letter of the 30th of June commences, "In reply to your endorsement of this days date," namely the 30th of June?—I cannot account for it.

5969. (*President.*) Then I am to understand that those inquiries were never answered?—I cannot say. I do not know.

5970. How was it that in stating the resolution of the 12th of April you omitted all reference to the first portion of it, rescinding the previous prudent resolution of the 6th of August 1863?—I cannot account for that at all.

5971. Where did you get that copy of the resolution which you inserted in the letter?—I cannot say, but I think that that letter was written by Mr. Chapman, and sent over for my signature; but I cannot recollect.

5972. Did you refer to the resolution in the book?—No, I imagine not.

5973. You see that there was a most important omission, because it entirely concealed (I hope unintentionally) from the Government the fact that your predecessors had been much more prudent.—I was not aware myself of the preamble to that resolution at all.

5974. You were not by that time aware of it?—No.

5975. Nor of the previous discussions upon that subject recorded in the scroll minutes of September 1863?—Never. I do not recollect ever to have heard of that before.

5976. Where did you get this information from,—"All advances of this description have for some time past been discontinued"?—I imagine that it was

taken from the bank; that we got the chief points of our information from the bank.

5977. Did you look into the matter yourself, or did you take it from the secretary?—The way that we used to do was to send over to the bank for information on certain points; we put questions, and we got replies to them.

5978. If you have been attending here during the recent examinations you are aware that there were seven advances on shares in the months of May and June 1865?—Up to what date?

5979. There were advances on shares not ending in loss; there was one on the 27th of May 1865 of 3,50,000 rupees; on the 30th of May 50,000 rupees; on the 1st of June 10,000 rupees, and on the 10th of June 22,000 rupees; none of those four advances ended in loss. Then there came, on the 27th of May, Dossabhoy Dhunjeebhoy one lac; there is a loss upon that; on the 29th of May three lacs to the Bombay Joint Stock Coporation, and to Manockjee Limjee on the 5th of June four lacs on shares.—There was an interval of about 20 days in which no loans had been granted.

5980. Do you really mean to say that what you meant to convey by this letter of the 30th of June, which stated that all advances of this description had been for some time past discontinued was, that they had been discontinued for 20 days?—We had only been advancing, so far as we knew, from April.

5981. But you stated in this letter, "All advances of this description have for some time past been discontinued;" at least we might have thought that that meant a couple of months?—The whole thing had only been in operation under three months, and for the last 20 days no loan had been granted.

5982. Then you meant by that expression, that no loans had been granted for 20 days?—I imagine that that was intended. Were those loans which were granted in June brought to our notice? were they brought before the directors?

5983. I suppose that they were. Manockjee Limjee's loan of four lacs was decided upon at a full board; there was a discussion about it, and he was asked to retire. Was all this large amount, which you mentioned, lying idle in the bank?—That would rest upon the return which was given to us; there would be no reason for misstating it.

5984. How would it happen that there should be so large an amount?—If I recollect rightly we had very large deposits at that time.

5985. And also a large increase of the capital?—We had had an increase of the capital.

5986. Here is one of these very loans: "Application for rupees four lacs on open credit from Messrs. Manockjee Limjee and Company on the security of rupees 60,000 of Government paper, and 100 shares of the United Victoria and Colaba Land Company."—What is the date of that?

5987. The 1st of June 1865; it was granted to them on the 5th. "They state that if the loan is granted they will take up at once Messrs. Leckie's bill for rupees 90,000," and so on. There is no doubt therefore about the fact; you explain it by saying that you meant the words to apply to the last 20 days?—There had been apparently no transactions for the last 20 days.

5988. There had been a considerable increase of the capital at that time, had there not?—A very large increase.

5989. Had you not in fact more capital than you knew exactly how to invest?—Our deposits were very large at that time, and we naturally had very large funds in our hands.

5990. But still it would not have been safe to invest for three months at a time, those large deposits, would it?—It was necessary to do something with the money.

5991. They were liable to be withdrawn at call, were they not?—I think that many of them were.

5992. You say in your letter of the 30th June 1865, that "there was much demand for what then appeared to be only temporary accommodation." Who stated that?—It was, I think, generally thought by our colleagues, that it was merely a temporary difficulty at that time, and that there was a hope of tiding over it.

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5993. Was it stated that they would return to their old practice as soon as that temporary difficulty was removed?—It was merely thought that this was a temporary difficulty. It turned out to be more serious.

5994. Was it the intention to revert to the old practice as soon as that temporary difficulty was over; was that considered?—I cannot state.

5995. Was it a subject of discussion then?—I do not know that the point, as to what should be done in the event of our returning to our usual state, was discussed. It was always supposed that it was only for a time, and that it was a temporary measure. I think that that appears throughout.

5996. How did you ascertain that "a total sum of 41,70,800 rupees was advanced on the security of shares?"—We must have got the information from the bank.

5997. You did not go into the accounts yourselves to ascertain that fact?—We did not; we had no reason to doubt that we should get correct information from the bank by sending there for it.

5998. Were not you informed of a preceding practice of lending money on shares before that resolution of the 12th of April?—I was not aware of it when the resolution was brought forward.

5999. Were not you aware, when you were preparing that report, that 80 Back Bay shares had been deposited by Kursondass Madhowdass in the bank?—I cannot say that I was aware of it.

6000. And that 10 Back Bay shares had been lodged by Cursetjee Furdonjee? I mean when you wrote this letter?—I cannot say that I was aware of it.

6001. Did not your colleague, Mr. Chapman, tell you of it?—I do not know that he knew of it. I may mention that I have got much more information since this Commission was opened than I had at the time.

6002. We find from Exhibit A 155, which was produced by Mr. Chapman, that Mr. Robertson wrote to him as follows: "Besides the above, we hold a considerable number of Back Bay shares, which we took into safe custody from those names who have large loans from the bank on personal security. Men such as Byramjee Hormusjee Cama, Cursetjee Furdoonjee, and Kursondass Madhowdass. These loans were not nominally granted on shares, but it was thought well to have some security collaterally, independent of their personal standing. Several of these large loans Premchund tells me will be paid up very soon." I am sorry to say that these loans are most of them outstanding still; were you aware of that fact?—I cannot say that I was.

6003. Did not Mr. Chapman tell you that fact?—I do not know that he did. I do not recollect it.

6004. Do you not think that, if it was known to either of you, it ought to have been known to both, and ought to have been inserted in this letter?—I do not think I was aware of it myself.

6005. But if you had been aware of it, you would have inserted it in this letter, would you not?—I imagine that I should. The letter, so far as I recollect, was founded upon information received from the bank, and I had no reason to doubt that that information was perfectly correct, and that it was the whole truth.

6006. The statement in the letter is "39 Back Bay shares;" it was more like 139.—That must have been information which Mr. Chapman got from the bank.

6007. But in order for it to have been a full statement of the position of the bank, ought it not to have disclosed the fact of those other shares having been lodged?—Yes, if we were aware of it; but I am not quite sure how far that would have been necessary, because those shares were taken afterwards, and not at the time.

6008. It was arranged at the time that they should be lodged for safe custody. I will make it quite clear to you by a letter from Mr. Robertson himself (Exhibit A 122) explaining the practice, but explaining it of course in the most favourable way: "My dear Cowasjee, We do not, as a rule, advance upon any shares, but in some instances we have granted loans on personal security" (this was

before the resolution of the 12th of April) "and have received Back Bay and Elphinstone shares from the parties for deposit in the bank for safe custody. Of course the parties consider that these shares are lodged as collateral security."—I was not aware of that. I cannot recollect that I was. That resolution of the 12th of April 1865 was to us comparatively quite a new system.

6009. But still this report is dated later, namely, the 30th of June; had you then found out that practice?—I think not. I had no knowledge of it before seeing it in evidence.

6010. Do you remember this resolution on the 6th of July 1865, when you were present? "Read letters from Messrs. Dallas, Lynch, and Langdale, requesting the consent of the directors to the execution by the secretary of the trust deeds of Nowrojee Ardaseer Daver, and Bhawoo Dajee. Sanctioned; and the secretary authorized to attend meetings of creditors of parties indebted to the bank, and at his discretion to agree to any resolutions proposed and agreed to by the representatives of other banks, and he is further authorized to sign all agreements, deeds, or other necessary documents in connexion with such estates, reporting the same to the board at their first meeting thereafter." Did you approve of that resolution?—I suppose that I did, from there being no dissent. I do not recollect any dissent.

6011. Do you think that it was wise to give such large powers to the secretary?—I had no idea that it was in such general terms. My recollection is, that that resolution was passed in consequence of a discussion relative to his attending as to some particular estate, and I thought that the resolution had reference more to that particular estate than to giving him such general powers.

6012. I find that you were present at the next meeting when those minutes were read.—Yes. I must be held responsible for it uudoubtedly. My impression was that it was simply a power to enable the secretary to attend that particular meeting which we were then discussing.

6013. It was to attend them all, and it gave him full power to agree to anything which the other managers agreed to.—I see now that it was so.

6014. Shortly after this resolution, at the very next meeting I think, it was announced that Mr. Brown had laid a statement of his affairs before his creditors; that is, on the 13th of July, "The officiating secretary reported that Messrs. Best and Brown, brokers, had laid statements of their affairs before their creditors." Do you recollect Mr. Lidderdale moving upon that?—Yes; but I do not exactly recollect his particular resolution or proposition.

6015. This is his statement in his evidence,—"I moved the following resolution: 'To add to resolution passed on the 6th instant, with reference to power to the secretary to attend meetings of creditors, with discretion to agree, &c., the words 'in cases where there are no special circumstances which should be known to the directors.'"—I do not understand exactly what this means.

6116. It is just as vague as almost everything else which we meet with. He wished to put some restriction I suppose upon the previous resolution.—I do not recollect his bringing this particular resolution forward. My recollection is, that he wanted to put some restriction upon the particular case before us, and that, as we had fully discussed the whole case, and had given the power to the secretary by a majority, we did not think that it was necessary to fetter him again.

6017. I do not understand that. You seem not to have rightly understood the original proposition. If I have understood your evidence aright, this would have given you an opportunity of correcting that, would it not. You say that you did not know that the secretary had such large discretion, and that you thought that it was only given him for the purpose of that particular meeting?—Mr. Lidderdale only proposed to add, "with reference to power to the secretary to attend meetings of creditors with discretion to agree." I do not quite understand that.

6018. The discussion arose again, and the whole question of this resolution was brought before you, and you must then have approved of it?—I still think that it was brought forward with reference to a particular case, and, if I

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recollect rightly, Mr. Chapman said, "Bring forward something definite, and we shall perhaps be able to agree with you." Is not that in evidence?

6019. He said that he objected to the indefinite nature of the amendment.—Exactly.

6020. If you had not really agreed, and understood this resolution to be what it turned out to be, surely this was an opportunity for you to have moved an amendment, and to have made it something more consistent with what your intention was?—I do not think that I could have sufficiently recollected the general terms of that proposition. Have you the scroll minutes with reference to those proceedings? The scroll minutes came round in a totally different form from what sometimes appears in the minute book.

6021. This was at a board meeting?—Yes.

6022. There was no reference by circular in the matter. No minute was sent round. Mr. Lidderdale's motion was not seconded, but you have just said that that original resolution was not what you understood it to be?—Yes.

6023. And you said that you must accept the responsibility of it because you consented to it at the subsequent meeting, but when it is brought before you again an attempt is made to modify it?—I do not wish at all to modify what I have before said.

6024. Why did not you yourself attempt to re-model that resolution, and make it more prudent?—Because it is very likely that even at the second discussion I was not aware of its general terms; it may have escaped my notice at the time.

6025. Did you not read the resolution?—The resolution was read over, but it does not follow that I was paying attention at the time when it was read out.

6026. On the 20th of July there was another board meeting, and the question then was whether Mr. Robertson should sign a release; do you remember Mr. Lidderdale moving upon that occasion?—Yes, I remember that he brought forward a proposition.

6027. Was not it to this effect, "That in the case of Mr. F. L. Brown, the secretary do not sign a deed on behalf of the bank?"—I cannot say that I recollect the exact terms of his proposition, but I recollect the matter being fully discussed at the board, and that it had arrived at that stage that they thought it was useless to restrict the powers of the secretary.

6028. That was not the question which had arisen then; the question then was, whether the secretary should sign the deed of release of Mr. F. L. Brown?—Yes, and that whole subject had come before the board, and had been fully discussed.

6029. Then did you think it wise and prudent for the secretary to sign, in about a fortnight, the release of a man who had failed for forty-three lacs?—It was understood that he had no property whatever, or that whatever he might have was to be given over to certain trustees, and that nothing further could be obtained from him.

6030. Did you not think that this was a case which might be very beneficially inquired into, namely, the case of a man failing for forty-three lacs and having no property whatever?—We did make inquiry into it as far as we could. It was only a question whether we would agree to the release or not; at the time I think all the other creditors had agreed to release him, and the bank was the last to give its consent.

6031. Who took part in that discussion?—I imagine that it was a general discussion, and that whoever had any opinion to give, gave it.

6032. Was not a general hesitation expressed on the part of the directors as to allowing Mr. Brown to go through the insolvent court?—I do not recollect it.

6033. Did not some of the directors say that they thought it undesirable to allow the transactions in which natives had been engaged with the bank to be made a matter of public discussion?—I cannot say that I recollect it, but

I think that it must be so from seeing it in evidence, though I cannot recollect the fact.

6034. You do not recollect such observations having been made?—I do not recollect it.

6035. Was not it said by some of the members of the board, that they did not think that they were the censors of public morals, and that they should grant Mr. Brown a release as they thought that he had had trouble enough?—It is possible; I have some recollection of those terms.

6036. Did you agree with it?—I cannot say that I did.

6037. Did you think it wise or prudent to allow a man to obtain a deed of release after about fourteen days, under those circumstances?—The thing was thoroughly discussed, and I understood that he really had no property beyond what he was quite willing to give up, and that no good could be gained by preventing his getting a release.

6038. I do not mean to say that there was the slightest foundation for it, but did not Mr. Lidderdale state at the time that he thought there were very good reasons why that estate should be investigated?—I do not recollect his saying so.

6039. Then you think that the bank's interest was properly protected by your hurriedly granting the release?—I do not think that we should have got anything more if he had not been released.

6040. Do you not think that it would have been advisable to try and get a little more?—I understood that the directors were perfectly aware that he had no property beyond what he was willing to give to his trustees; it was not as if he was a stranger; I believe they all knew that he had no property beyond what he had said he would give up.

6041. Did Mr. Robertson say that he knew that Mr. Brown had no property?—I cannot say; I do not know that Mr. Robertson would give an opinion of that sort.

6042. Was he asked?—I cannot say.

6043. It is very important, because Mr. Robertson lent him two lacs and a half upon a promissory note.—When was that; it was long before this transaction?

6044. It was some time, but not very long before it; it was in February?—That is four months before, that is just the time when all the disaster came.

6045. You are not aware that Mr. Robertson said that Mr. Brown had got no property?—I am not, but I know that it was the opinion of the board generally that Mr. Brown had no property, and the reason urged for granting his release, was that he had given up all that he had, or was willing to give up all that he had.

6046. Do you know anything about the preparation of this tabular statement with reference to Mr. Brown's release, at page 114 of the Blue Book? We have ascertained from Mr. Chapman that it was prepared from a letter of Mr. Robertson's,—I am not aware that I know anything about it.

6047. Do not you recollect an application from the Governor-General of India for such information? Do you remember seeing that letter of Mr. Robertson's of the 5th of March 1866? (*handing Exhibit* C 4 *to the witness.*) What is in the Blue Book is a verbatim copy of that letter, except that it is put in a tabular form.—This letter was written by Mr. Robertson to the Chief Secretary of the Government.

6048. Were you any party to the preparation of that tabular statement?—I do not think that it is at all likely that I should be. Those statements were prepared in the bank office.

6049. You were no party to it?—I do not think that it is at all likely that I was. I do not recollect it.

6050. In January 1866 the Government of India made another application for information about the affairs of the Bombay Bank; have you seen that letter?—I think I have heard it spoken of before the Commission.

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6051. I was two hours in finding out yesterday whether that letter was ever answered; just look at that letter, it is at page 8 of the Blue Book.—I think I have seen this letter before.

6052. Was not it sent on to you by the Government, with a view to the preparation of your report, which was afterwards made on the 31st of March of that year?—I was absent from the 1st of February 1866 till the 4th of May.

6053. And Mr. Norman was acting for you?—I do not know who was acting for me.

6054. It was, I think, Colonel Marriott?—I think so.

6055. Were you any party to the preparation of the report at page 30, dated 31st of March 1866?—No.

6056. No portion of it was prepared before you left?—I do not think so. I see that it has been interlined here in ink, "F. S. Chapman" and "G. Norman."

6057. You had nothing to do with it?—I do not recollect it; it was two months after I left Bombay.

6058. Did not the Governor-General afterwards apply for further and more detailed information, in a letter of the 13th of July 1866?—I do not recollect it.

6059. Was that letter ever sent to you? (*handing to the witness the letter of the 13th of July* 1866, *at page* 27 *of the Blue Book*) Just look at the end of that letter.—I cannot say whether this came before the directors or not, but I have some recollection of having heard of a demand having been made by the Government of India for this information. I cannot say whether it ever came before us to reply to.

6060. I want you to be very particular about the answers to these questions, because it is material. Did you ever, as a director of the bank, communicate to the Government of India your objections to furnishing those details?—I do not recollect that we ever did so.

6061. Do you recollect any person objecting to furnish those details?—I do not know that we were ever called upon to give them.

6062. Do you recollect any person in the bank objecting to give those details?—To whom?

6063. To the Government.—I do not think that the bank were called upon to give them, but I cannot be sure upon the subject.

6064. I should suppose that it was hardly possible for the Government to have asked you to furnish that information, and for you and the other Government directors of the bank to have objected, without your knowing it?—I do not think that it came before the directors, but I cannot say for certain, not officially.

6065. You did not know at the time of any such application by the Government, and refusal by the bank, officially or unofficially?—I cannot say that I had not heard that such a demand had been made, but, so far as I recollect, we had never been called upon to give the information.

6066. Then as far as you can recollect, I suppose, you never refused to give the information?—I do not think that we were ever called upon, and therefore I do not think that we ever refused.

6067. Were you ever asked, or were the directors of the bank, to your knowledge, ever asked, whether the particulars called for by the Governor-General would be fairly and fully given?—I think that it was discussed, but I cannot say whether it was discussed officially.

6068. Discussed when, and by whom?—I think I recollect hearing of this information being called for.

6069. By whom?—I think that I have heard that this information had been required by the Government of India.

6070. When did you hear that—lately, or at the time when you were acting as a Government director?—That I cannot say, but I think that it must have been somewhere about the time that this came out.

6071. You heard that such an application had been made by the Government of India?—Yes; but I cannot say from whom I heard it.

6072. The communication was not made officially?—I do not think that it was made officially.

6073. Did you do anything when you heard it?—I do not recollect that any action at all was taken upon it.

6074. You never raised any objection?—I do not recollect that we raised any objection.

6075. Did anybody else, to your knowledge, raise any objection?—I think that the whole bank would have done so.

6076. That is not the question which I ask you; I ask you what they did; did they raise any objection?—I do not think that it came before us, so as to give us an opportunity of raising an objection, so far as I recollect, it may have come before us, and it may have escaped my memory.

6077. Do you recollect that letter coming, and the accompanying heading? (*handing Exhibit* C. 5. *to the witness*).—I think that it is very likely that I may have seen that.

6078. You must have done so?—I imagine so.

6079. When this letter was sent, it does not appear whether that letter of the Governor-General of the 13th of July was before you?—I do not know that it was before us.

6080. Had you ever had that letter before you at the time when you prepared the tabular statement at page 96 of the Blue Book?—That tabular statement I imagine would be prepared in the bank, and I do not know that I ever saw it.

6081. Surely a Government director would look after a tabular statement sent up to the Governor-General, would he not?—It would be looked after by a bank official. If the communication was directed and addressed to the secretary, we should be content to see that the secretary answered that letter.

6082. Am I to understand from you that you never yourself took any pains to see as to the preparation of that tabular statement?—No; I think this must have been taken from the books, and I certainly do not recollect ever verifying it in any way.

6083. Do you mean to say that although you were a Government director you had nothing to do with the preparation of this tabular statement?—I should think not. I think that most likely it was prepared in the office of the bank.

6084. Without any communication with you at all?—It may have been brought before us, but I cannot recollect at this moment; I certainly should accept it as a correct statement bearing the signatures of the officers of the bank.

6085. Were you aware of that application coming to the bank? You see that there is Mr. Claude Erskine's handwriting in the form.—I think I must have been aware of it from its coming officially.

6086. At the time when you got that document, did you receive any instructions whatever from the Government?—No, I do not remember any.

6087. Did you receive any information from any one as to the way in which this statement was to be prepared, and the object with which it was to be prepared?—It is not set forth.

6088. Did you receive any information at that time?—Not that I am aware of.

6089. You have no information to give us as to the circumstances under which this statement was prepared?—I have none to volunteer. Until you showed me that letter, I did not recollect the fact that it had ever come before us officially.

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6090. I asked you whether you had any further information to give us, with respect to that tabular statement?—No.

6091. Did you ever see it after it was prepared?—I may have done so, but I am not certain.

6092. Did the Government, or any member of the Government, ever call your attention to it?—I think not.

6093. They never asked you to verify it in any way?—What was the date of this?

6094. The letter was written on the 24th of October 1866. You were president at that time?—Yes, but though president I was not always present; I do not mean to say that I was not present on that occasion.

6095. Your attention was never afterwards called to it by anybody?—Not that I recollect.

6096. I understand you to say that you had no official communication as to what passed with respect to the letter of the 13th of July 1866, but that you did hear something about it?—It was on receipt of the letter from the Chief Secretary, or the Under Secretary of Government to the bank, calling for that statement, that I may have heard something about it; but I do not recollect having received any official communication.

6097. But were not you in correspondence with Mr. Edward Lushington?—I had correspondence with him.

6098. Did you not correspond with him with respect to that application of the Governor-General?—It is possible, but I do not recollect it; it is quite possible, because I used occasionally to correspond with him upon different matters.

6099. Do you see the letter which was written by Mr. Edward Lushington to you on the 15th of November 1866, and which is at page 95 of the Blue Book?—Yes.

6100. It commences as follows: "In reply to your demi-official communication, dated the 3rd instant." Have you a copy of that demi-official communication?—I have not.

6101. Have you not a copy of the letter which you wrote to the Government?—I think that it will be in the bank correspondence; as far as I recollect it was a mere official communication, asking us to give an early answer as to whether the charter would be renewed or not. As far as my recollection goes, it was simply asking us to hurry on the reply to the Government as to whether the charter was to be renewed or not; but whatever my letter was, the draft of it, I think, was given to the bank.

6102. The letter from Mr. Edward Lushington of the 15th of November 1866 states,—"In reply to your demi-official communication, dated the 3rd instant, I am directed to inform you that the Governor General in Council will be prepared to take into consideration the expediency of renewing the agreement with the Bank of Bombay on receipt of the information called for in July of the liabilities of the bank, and of the proposed byelaws of the bank for the conduct of business. The liabilities above referred to need not embrace details relating to the names, &c. of the persons concerned."—Yes; that letter was not addressed to us, was it.

6103. It was addressed to you.—I mean the letter of the 13th of July.

6104. No; and you say that to the best of your belief it was not sent on to you?—I do not recollect it.

6105. Having had your attention called to the fact that the Governor General in Council would "be prepared to take into consideration the expediency of renewing the agreement with the Bank of Bombay on receipt of the information called for in July of the liabilities of the bank, and of the proposed byelaws of the bank, for the conduct of business," did you not make inquiry about the letter of July?—My recollection is that that letter of July was addressed to the Government of Bombay, and that it was from them that the answer was expected, and not from me.

6106. You were a Government Director of the bank at this time, and actually president of the bank; did it not strike you that you had never been called upon

to furnish particulars of the liabilities of the bank, and the proposed byelaws? did you not make any inquiry of the Government of Bombay?—I cannot say that I recollect making any.

6107. I suppose that these words in the letter of the 15th of November 1866, "The liabilities above referred to need not embrace details relating to the names, &c. of the persons concerned," must have been Greek to you?—I do not think that it was altogether Greek, because I have some recollection that we came to hear (though in what way I cannot recollect) that this information had been required by the Government of India. I have a recollection that it did come to our knowledge in some way.

6108. Did it not occur to you that this tabular statement would not give any notion of the liabilities of the bank?—I do not know that I looked into it; I cannot say that I did so. The information was given by the bank officials, and I imagine that I accepted it as correct.

6109. Then as far as you are concerned, I am to understand that you are no party, or, as far as you know, the bank are no party to withholding that information sought for by the Governor-General in July?—I do not recollect that we were actually asked officially for that information. We heard of it in some way, but I do not recollect in what way.

6110. You have told us that you do not recollect any objection being made by you to it?—I do not recollect that we were asked for the information.

6111. We will now go to another subject, namely, the loan to Dossabhoy Merwanjee. That was one of the loans to which you were a party. On the 24th of February 1865 there was one lac; on the 23d of May 1865 there were two lacs; and on the 9th of June 1865 there was one lac.—I was a party to the last two.

6112. It appears from the board minutes on the 17th of May 1865, that you were present, and that you granted three lacs if the solicitors were satisfied with the security, and if the current loans were paid off. The current loans were not paid off so far as I can see. Do you remember any discussion with regard to the security which was offered? Do you remember that it was landed property?—I do not recollect what the property was at all, but I gather from this resolution that the matter was submitted to the bank solicitor.

6113. Was not the propriety of taking the security of land for a loan discussed at all?—Was it a first loan?

6114. It was a second loan, but the money was advanced upon this security. They wanted all current loans to be paid off, but it was not done.—It was the intention that this money should be taken up to pay off the old loan.

6115. Probably that might have been so, but it was not paid off.—That was the intention.

6116. Whether it was so or not is immaterial; some money was advanced upon the security of this land?—Yes.

6117. Did you think it necessary to take any opinion with regard to that. Was your attention called to the clause of the Act?—I imagine so, from this resolution.

6118. Did anybody raise any doubt with regard to your power?—I imagine that a doubt must have been suggested, from this resolution.

6119. Did anybody call your attention to clause 34 of the Act?—I imagine that we must have asked our solicitors whether we could do that, and probably this was merely taken like the other things as collateral security.

6120. Whether it was collateral or not, the money was lent upon it?—The money was lent upon a promissory note, taking this collateral security.

6121. A collateral security means a security 'side by side with another security; money was lent upon one as much as upon the other?—I believe that that is a system which prevails even at the other banks.

6122. They may call it a collateral security, but the money is lent upon one security as much as upon the other. I am not sure that there was a promissory note in this case; there probably was, as it was the usual system; but, however, that is utterly immaterial.—My belief is that this money was granted upon a promissory note, and that the land was looked upon as a collateral security.

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6123. Was not it a part of the agreement, that the money should be lent upon the land, and upon the promissory note?—I did not see the agreement, but this question, as you observe, was sent to our solicitor, and I imagine that he must have advised us that it was legal.

6124. I want to see that opinion. I imagine that he must have drawn the deed?—I imagine that he must not only have drawn the deed, but that he must have given an opinion.

6125. In that case the loss has been 2,10,685 rupees. The security therefore was not only illegal but very insufficient. Did you make any inquiry as to the sufficiency of the security?—I can only imagine from this resolution that we were guided by the opinion of our solicitor.

6126. You have no distinct recollection of seeing the opinion of the solicitor?—No, but the thing was left in the hands of the secretary, to act upon it in the event of the solicitor being satisfied. It does not appear to have been done unadvisedly.

6127. I cannot understand how there could have been any doubt if anybody looked at that clause of the Act?—I think that it was because it was not understood that what we called a collateral security was a joint security.

6128. There seems to have been a great delusion in that respect?—It is not confined to our board. I think that that is very much the opinion of Mr. Dickson.

6129. The extraordinary thing is that you fancy that you are not lending money as much upon one security as upon the other. There is another loan to which I wish to call your attention, namely that to Khuttow Khemjee. On the 26th of April 1865 he had 40,000 rupees; you were present, and security was lodged of 65 Asiatic Bank shares. That loan was recommended by Premchund, and it was passed by you by a discount Minute (*Exhibit* A 46. *being handed to the Witness*).—Yes.

6130. It appears that you passed that loan upon Asiatic Bank shares?—Yes.

6131. Are not you aware that your colleagues wrote to the Government upon the 30th of June 1865, saying that this practice of lending on shares had been for some time past discontinued?—This discount minute is dated the 12th of September 1865.

6132. That is another one. There were two lacs then granted?—Yes.

6133. Eight hundred Asiatic Bank and other shares were lodged in September and October 1865 as security for that loan?—Yes, but it is stated here, "The applicant is a very good man, and I think that we should accept the security offered."

6134. That is very true, but the question is whether you were not advancing on shares at that time?—We had been labouring under the impression (whatever you like to call it, whether a hallucination or any other name) that we were not advancing on shares at that time, but that we were taking them as collateral security.

6135. The difficulty is to know how to deal with persons labouring under that delusion, because whenever the shares were bad it was said "there is the man," and whenever the man was bad it was said "there are the shares." Premchund was a director at that time; did he tell you that Khuttow Khemjee was merely a joint speculator with himself?—I know nothing whatever about Khuttow Khemjee.

6136. He did not tell you that fact?—No, I think that the first time that I ever recollect hearing anything about it was at one of the meetings of shareholders, when one of the shareholders mentioned it, but I do not recollect at which meeting it was; I think that it was in June, but I am not quite sure.

6137. Do you not recollect that afterwards, on the 7th of August 1866, Premchund acknowledged to the bank directors that he considered the debt his own, and would pay the bank as soon as he possibly could? (*Exhibit* A 72. *was handed to the witness*). Were you present on the 7th of August 1866?—Yes.

6138. I find the following entry in the minutes of that day: "The President also read a note he had received from Premchund Roychund regarding

Khuttow Khemjee's past due bill of rupees one and a half lacs, in which he acknowledges that the money was used in a joint speculation in Asiatic Bank shares, and states that Khuttow Khemjee is perfectly ruined by losses in cotton and shares, and that nothing can be gained by suing him. In the note Premchund promises to consider the debt as his own, and to pay the bank in full as soon as he possibly can."—Yes.

6139. Do you recollect the circumstances under which you were induced to sign that discount minute?—This discount minute was in 1865.

6140. I am now going back to the original transaction. I have called your attention to all the surrounding facts, showing that Premchund was really a party engaged in that transaction in Asiatic Bank shares.—I knew nothing whatever about it at the time.

6141. Did Premchund Roychund come to you, and ask you to grant that loan?—Never; I saw that one of the commercial directors recommended Khuttow Khemjee as a good man, and there was security as well.

6142. There was the security of Asiatic Bank shares. Were you aware that Mr. Tracey and Premchund were connected in speculations?—No, I had not the least idea of it.

6143. I see that you only initialed the discount minute. Khuttow Khemjee knew so little about the transaction, that he said that he believed that the money was not obtained upon that security at all. He said that Premchund had managed the whole thing.—There were many transactions of which the directors knew nothing whatever.

6144. Were you in the habit of communicating often with the Government, either the Government of India or the Government of Bombay?—No; very seldom.

6145. When you did communicate it was in writing I suppose?—I think that it was always in writing to the Chief Secretary.

6146. Have you any copies of those letters?—I have none. I have torn up almost all my bank papers, and I have only here a scrap of a letter which is not even signed, and I do not know that it was even sent (*handing Exhibit* A 170. *to the President*). That is the only scrap which I have got. I tore up all my bank papers, understanding that there was to be no inquiry, unfortunately so as regards some of them. I do not know whether I ever sent that letter.

6147. It contains an important fact which I think ought to have appeared in the letter of the 30th of June. The letter which you have just produced, and which is addressed by you to Mr. Chapman, states, "From this statement you will observe that fourteen and a half lacs of bills are set down as dishonoured at the branches; of this Hannay tells me that they hope to realize at least one third."—Yes.

6148. There is no reference to that in your letter of the 30th of June 1865 to the Government. I do not know why it was excluded, but it was very important as giving an idea of the position of the bank at that time?—I think that that letter of 30th June was with reference to the head office, and not the branches.

6149. I do not know why it should have been confined to the head office. This letter is dated June the 16th.—That I believe was information with regard to some of the losses which were known at that time.

6150. As I now understand, when you wrote that letter of June the 30th three letters must have been before you, according to Mr. Chapman's evidence. First, the letter of the Governor General of the 22d of June, then that of your colleague Mr. Chapman of the 29th of June, and also the letter from the Secretary of State; and with those three letters before you you wrote a reply only to the letter of the Secretary of State, which was the easiest to answer, and left the others wholly unanswered. That is the position as I understand your evidence?—I do not know whether they were answered or not.

6151. I thought that the letter purported to be an answer to your preceding correspondence?—I do not think that it could be.

6152. But surely it was a very inaccurate statement of the whole fact if it

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did not state that that fourteen and a half lacs were set down as dishonoured at the branches?—Is not that included in the statement of the 30th of June?

6153. No; you mentioned nothing about the branches at all in that letter.—We sent in a statement, did we not?

6154. Yes, but you said nothing of what had been done at the branches; there was no reference at all in that letter to that fact, or to the position of the branches generally. I ask you again whether it is not a correct view of the matter, that you had three letters before you, that the easiest of those three letters to answer was the letter of the Secretary of State, and that you answered it, and left the other two unanswered. Is not that the exact position of the correspondence?—I cannot tell. I have no copies of the correspondence, and it does not appear in what you have; whether that is the right state of the case, or not, I cannot say.

6155. Do you remember any other answer being sent to the other letters?—I do not remember.

6156. I believe that you were absent at the time when Premchund Roychund's great loan was granted?—I was.

6157. But you came back in time for the Asiatic Bank transaction?—Yes.

6158. When did you return?—On, I think, the 7th or 8th of May.

6159. That transaction began on the 14th of May 1866?—Yes.

6160. A list of securities, so far as I can make out, was not sent in until afterwards?—A list was sent in at the time, the letter refers to a list appended.

6161. Do you remember this minute? "Read letter from Mr. Morrison, agent of the Asiatic Bank, requesting a loan of 15 lacs for that Corporation. Read also a list of securities he is prepared to deposit: Resolved that the credit be granted upon his giving up all the securities stated in the list."—Yes.

6162. This is the list (*handing the same to the witness*). The minute goes on to say, "and a written guarantee to deposit immediately on receipt, the bills and Government paper now on the way from Calcutta and China."—Yes.

6163. Do you remember the amount of those "bills and Government paper now on the way from Calcutta and China"?—I cannot recollect the amounts now.

6164. We have been unable to get anybody to speak to that. Are you aware of the fact that they were never deposited?—I have only seen it in evidence, but I concluded that they were. Instructions were issued to the secretary to obtain them, and I presumed that it was done.

6165. Everybody admits that they never were deposited; were you aware of that at the time?—I was not.

6166. You were not aware of that fact when the cash credit to the Asiatic Bank was renewed on the 13th of July?—No.

6167. It would have been taken into consideration, would it not, if you had known that you had been so deceived?—It would have made a very material difference if we had found that what Mr. Morrison had promised, had not been fulfilled.

6168. You have no idea what the amount was?—I do not know at all.

6169. The minutes were drawn up in the most loose way.—I think that we had occasion to find fault with the manner in which the minutes were drawn up.

6170. On the 25th of May 1866 that credit was extended to 20 lacs?—Yes.

6171. On the additional security of "10 lacs advised by telegram to be on its way from London"?—Yes.

6172. That 10 lacs was realized on the 12th of June following?—That would reduce the amount then to 10 lacs.

6173. Were you aware that this cash credit was never entered in the General Cash Credit Ledger, but was entered in the General Deposit Account Ledger?—No, we left matters of that kind to the secretary.

6174. That I believe to be the fundamental error of the whole thing, namely the cash credit having been entered in the General Deposit Account Ledger.—I thought that this loan to the Asiatic Bank was so fully secured, that it was impossible that there could be any loss upon it.

6175. Did you not inspect the accounts yourself at all. Did you never inspect the accouts of this loan?—No, I do not recollect doing so; even when I thought that we should realize the full amount.

6176. I think that the loss is about 3,50,000 rupees.—I cannot understand how it could be so much.

6177–8. A good many of the securities were never delivered.—But there were the 10 lacs in hard cash.

6179. Directly any of those securities were realized, what is your view of the right way of treating that account?—That those securities should be taken in reduction of the cash credit.

6180. Instead of which the whole thing went into a general deposit account, and the drawing went on as before.—As the security was realized I supposed that it would be taken in reduction of the cash credit.

6181. Were not Mr. Robertson and Mr. Morrison very great friends?—I believe they were. I knew they were on very good terms, but nothing beyond that.

6182. Then on the 12th of June 1866, the day afterwards, they got four lacs more of cash credit, and on the 3d of July 1866 they got three lacs more?—Yes.

6183. Which was to be paid back on the arrival of the China Mail at Calcutta, as the Agent would get five and a half lacs by it. Did you know that only 26,000 rupees of that item was ever realized?—I was not aware of it.

6184. You were never told by Mr. Robertson?—No.

6185. You supposed that all these securities which were given, really came into the possession of the bank?—I supposed that as they came in, they would be gradually taken in reduction of the loans.

6186. Then on the 13th of July a new cash credit was opened, and new securities were taken. Do you remember the exact position of the account of the Asiatic Bank at that time?—It was simply that that cash credit was extended till the 1st of September.

6187. Do you recollect what was the exact state of the account of the Asiatic Bank on that day?—No; I never saw the account.

6188. Did not the secretary come and tell you?—No.

6189. Did he not tell you that the securities were all exhausted except two bills?—Some additional securities were taken then, but I of course thought that the loans were being gradually paid off by these securities which we had received; in fact I thought that we had got nearly full payment by bills and hard cash.

6190. Then you extended the cash credit of the 13th of July up to the 1st of September?—Yes.

6191. Do you remember the terms on which that was done?—I have seen the terms in the minute book.

6192. You waived taking a dividend of three lacs and upwards to which you were entitled?—Yes, until the remittance from China should be received.

6193. At this time there was a draft on the Chartered Mercantile Bank for one lac still remaining of those good securities. Then M'Indoe and Rogers' bills secured for 8,50,000 rupees, and now, after years of trouble, they have realized 63,000 rupees.—I believe that we never got M'Indoe and Rogers' property.

6194. That is another thing, but I now refer to the bills. Then the security of the Bombay Coast and River Steam Navigation Company was very good; it realized very well?—Yes.

6195. The next two items are, "Lien on bills now on their way from Calcutta, two lacs," and "Lien on Java guilders to be remitted to Bombay,

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three lacs."—If I recollect rightly there was some mistake in the telegram with regard to those Java guilders.

6196. How did you satisfy your mind that there was a mistake in that telegram?—Mr. Morrison came personally to us, and explained the way in which the mistake arose, so far as I recollect, namely, that they had no cipher for the word "dollar," and that they had used the word "pound" instead.

6197. Did he show you the translation of the telegram?—So far as I recollect he brought the original.

6198. Was the whole translated to you?—So far as I recollect he translated it to us.

6199. Did he tell you that other telegrams had been sent to him before using the word "pound" for "dollar," and that it had never been misunderstood before?—I do not recollect that.

6200. Did he tell you that the telegram ended with a distinct intimation that he was only to draw for a lac and a half?—I do not recollect that.

6201. Mr. Steel who was the agent in Calcutta, was examined in Bombay, and he gave us that evidence.—I do not recollect anything further than these guilders being on their way.

6202. Mr. Steel, who sent the telegram, said that it was quite true that the word "pound" was used for the word "dollar;" in consequence of there being nothing in the cipher for the latter word, and that he had often done it, but that, to prevent mistakes, it was stated in the latter part of the telegram that they were only to draw for a lac and a half.—I do not think that that was mentioned; I do not recollect it.

6203. The balance on the evening of that day was 11,78,838 rupees. You were not aware of that, when you granted that new cash credit?—I was not. I supposed that as these securities were realized they would be taken in reduction of the cash credit.

6204. Then on the 23d of August, in consequence of this mistake about five lacs of solid gold, Mr. Morrison lodged a number of other securities which have proved worthless, except the promissory notes of Sapoorjee Dhunjeebhoy and Jevajee Manackjee, which realized very well. Was not the practical working of the matter this, that Mr. Morrison came to you, and tempted you to support the Asiatic Bank with some very good securities, a portion of which he never deposited, and that when he had got you into a debt from the Asiatic Bank of about twelve lacs, you were anxious to cover yourselves, and took inferior securities, and when some of the best of the securities, namely, five lacs of gold, were not forthcoming, you took inferior securities, always however with a large balance against you?—We knew nothing of that large balance being against us.

6205. Did you ever inquire what the state of the balance was on the 1st of September, at the end of that second cash credit?—No; I cannot say that I did; I thought that all these subsequent sums were on account of those guilders, and that the whole thing was going against the 20 lacs, which would have been the proper way of treating that account.

6206. If you look at these balances you will see that on the 1st of September there was a balance of 16,82,000 rupees against the Asiatic Bank.—Is this the current deposit account?

6207. Yes; there was no cash credit opened, which I believe to have been the fundamental cause of the whole mistake.—Yes.

6208. Why did not you close the account then?—Because we had this account opened in this way.

6209. You see that it goes on, and that they drew after that up to 20 lacs?—So far as I can understand it, the whole of this account was an improper one, and it was a mixture of a variety of accounts.

6210. Was there no check upon the the secretary's handing out the money after the 1st of September?—I do not think that it occurred to anybody to see that these amounts were rightly accounted for.

6211. If you had stopped the advances on the 1st September you would have

saved about 3,80,000 or 3,90,000 rupees?—I thought that the whole thing was perfectly secure, and I think that that actual cash credit was secure.

6212. The first cash credit was amply secure, particularly if they had delivered their Government paper.—I do not consider that anything more than that first cash credit was granted; the time for repayment was extended.

6213. But you took no fresh securities; the greater portion of the old securities had been exhausted.—I did not understand that Mr. Morrison was to have a cash credit continuing to the extent of 20 lacs. I supposed that he was simply drawing against the first cash credit. I thought that it was in the cash credit account, and that as the securities were realized, they would be put on the other side in reduction of that account.

6214. The fact is, that the bank was tempted to renew with inferior securities in order to protect its balance. I have no doubt that that was the motive of the secretary, if he had any motive.—I thought that this cash credit was amply secured, and that we had got such good security in the first instance, backed up by good security afterwards, that there was no fear.

6215. Were you not aware that those securities had been realized?—I thought that they had been realized, and that the cash credit was being proportionately decreased.

6216. What do you suppose to be the duty of a Government director, especially the Accountant-General, in looking into the books of the bank?—I did not consider it the duty of the directors to interfere at all with the way in which the books were kept. I supposed that we had officers capable of performing those duties, and that they were left to them.

6217. Did you not suppose that it was the duty of a Government director to do so, in lending large sums, like 20 lacs (especially in May 1866), in order to support another bank?—We had the money actually in hand, and it was considered desirable to support the banks, because as each bank failed, the disaster would have been the greater.

6218. Considering how large a sum was given, some director might have looked into the accounts, and have seen how the thing was going on?—We thought that this was a plain transaction, and that there never could be an admixture of another account with this one.

6219. Mr. Robertson said that you were very nervous about this account, and that you asked occasionally about it.—I inquired whether the securities were realized.

6220. Why did not you look into it properly, and ask to look at the cash credit ledger; if you had asked for that ledger, the first thing which you would have found would have been that there was no account in the ledger, and that fact would have opened your eyes a little.—It never struck me as being my duty to see how these accounts were kept.

6221. In this case, considering the position of the bank, the magnitude of the sum, and the evidence which we have had that you were nervous about it, and were always coming down and asking the secretary about it, it appears strange that you never took any step which would have satisfied your mind?—We heard from time to time that these securities were realized, and it appeared to me that the thing was going on smoothly enough. I was perfectly astonished when I heard about it.

6222. When the Asiatic Bank went into liquidation the balance was 19,66,000 rupees; they had constantly reduced the debt, and had one day reduced it to 5,88,000 rupees, but afterwards they drew it up to 20 lacs.—It was an extraordinary way of conducting a cash credit, it was an abuse of a cash credit.

6223. The fact of its being put in the current deposit account embarrased the ledger keeper, because he could not treat it as a cash credit, and every one of the cheques was therefore an overdrawing on the current deposit account.—Yes.

6224-5. Mr. De Ga seems to have looked very carefully to his business, and he never would pass any one of the cheques on that account without an authority from Mr. Robertson (*handing to the witness Exhibit A* 31).

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In one of those documents Mr. De Ga says, "Asiatic Bank account is already overdrawn by 18,09,761 rupees, shall I pay this cheque for 51,498 rupees?" Then it is written "Pay, D. R." Did you know of that?—No; these documents were never brought before us at all.

6226. You remained president of the bank until the time when it went into liquidation?—I did.

6227. But after 1866 it was in fact in liquidation?—We looked upon ourselves more as liquidators than as anything else.

6228. After 1866 you were in fact just doing your best to realize your securities, and not granting any fresh loans?—We did the best that we could.

6229. You were then cautious and regular. It is quite clear from the books that there was a great improvement at that time. I do not think that there is any use in taking you further into those transactions; the loss was already achieved before you became president.

6230. (*Major Innes.*) You to a certain extent justified the phrase which was used in the letter of the Government directors, in which it was said that the clause with respect to advancing on shares had never been taken advantage of. How do you believe that you would have carried out the process of taking advantage of that clause? What difference would there have been between the process of taking advantage of that clause and the process which was employed when you did not take advantage of it?—The only difference which I can conceive would be that you would not take a promissory note; and I do not know that without a promissory note you would have anything to bind the parties.

6231. Have you ever heard of such a proceeding?—I have not.

6232. Before you came to Bombay, had you been a director in the other banks?—Yes, both of Madras and of Calcutta.

6233. And you were *au fait* in the management of them?—That was rather a disadvantage, because coming from those banks, where the thing was well regulated and well understood, I thought on coming to this bank that it was the same, and I had no doubt in my own mind as to the powers of the secretary, they being defined in the other banks. I thought that they were equally defined in the Bank of Bombay.

6234. You saw two vague things, one in the powers of the secretary, and the other in the information supplied to the directors?—Yes.

6235. Did that lead you to take any steps as to inquiry into the way in which the work was conducted?—It led me to bring forward a proposition that the power of the secretary should be the same in the Bank of Bombay as it was in the other two banks; and I had not the slightest idea that there was any real opposition to it. A discussion took place as to what had passed, and some of the directors (the native directors I think) wished to give the secretary very unlimited powers.

6236. I refer more to the way in which the secretary did not supply information to the directors?—I do not know that I was aware of that until afterwards.

6237. Did it ever strike you that there was a happy-go-lucky way of carrying on the work in the bank?—I was not satisfied with the way in which it was done; and I had occasion to find fault with it.

6238. Did you see at all what the discipline in the bank was, whether the secretary controlled it?—I took it more for granted than anything else that it was a well regulated bank, and that the secretary would control it.

6239. Are you aware of any rules to guide the secretary?—No, I have never seen any.

6240. Were you aware of any rules which the secretary had for the guidance of his bank?—No, but I presumed that he had the same instructions as secretaries generally had, and as they had in the other banks.

6241. You were not aware of the various sections of the bank being pretty well left to themselves?—I of course thought that the secretary of that bank was under the same control as the other secretaries, and that he had the same

power in the bank as the other secretaries; and I think that the secretaries are allowed almost paramount power, so far as the transactions of the bank are concerned.

6242. I refer to responsibilities?—I think that after that discussion which we had, the power of the secretary could not be considered to be unlimited, and I think that after that discussion took place, very many things which would not otherwise have come before the board were subsequently brought before the board.

6243. You did not scrutinize the routine of the bank management?—No.

6244. Or the books which were kept?—No. I thought that it was a well regulated bank, and that it had been well conducted. I never had any reason to suppose otherwise.

6245. Did not you say that you got more information latterly laid before the directors than used to be laid before them formerly?—When I first joined the bank the application book was not on the table, and the loan book was not on the table.

6246. What was the loan book?—The applications for loans, and the loans which had been granted.

6247. Was there any loan ledger?—I do not think that it was on the table.

6248. Was there any book containing all the advances?—I heard Mr. Maclean say yesterday that there was, and I have a recollection of seeing a great thick book with a white cover, but I do not think that that book contained the information. I do not know that it was ever opened, because if so the secretary would have had no difficulty in getting the information which we wished. I saw the book on the table, but I did not open it.

6249. In the other banks at Calcutta and Madras had you been in the habit of seeing what the arrangements were with respect to the orders to the secretary. I mean quite irrespective of the orders contained in the minute book. I refer, for instance, to byelaws?—I do not know that I had. I thought that things were working smoothly.

6250. For instance, what would have been the routine in Calcutta and Madras if you had come to a decision at a meeting altering or limiting the powers of the secretary; what would have been done?—It would have been recorded at once in the minutes.

6251. As a matter of course?—Yes. There is only one thing to be said, namely, that what I referred to was not brought forward in the formal shape of a resolution, for which I take great blame to myself; but it never struck me that there was any necessity for it, because, so far as I understood, it was agreed to by all.

6252. Would you consider it the duty of the secretary, or of the directors, to make a case of that sort shipshape?—I thought that it was the duty of the secretary to do it, and I was much to blame for not having it mentioned upon the minutes, but as I have said before, the thing did not come formally forward, and it was as I thought assented to; and I thought that the question would never be raised again, because I thought that in practice it was being done, and that the bills were being brought before us.

6253. You were a Government director; what was your relation to Government as a director?—I do not know that I can tell you exactly. We never had any instructions.

6254. You seem occasionally to have got letters from Government as a Government director?—Yes, to which we ought to have replied, if we did not do so.

6255. What do you consider to be the difference between the cases in which reference was made to you, and the cases in which reference was made to the secretary of the bank?—In the one instance we replied to the communication, obtaining the information from the bank officials, and in the other case the secretary replied to it.

6256. What did you consider to be the nature of that reply? was it a record

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of the bank or a private record? What was its position in the bank correspondence?—I do not believe that it was filed in the bank correspondence.

6257. I find an important letter written by a Government director of the bank and sent to you to sign, and we hear nothing more about it; can you tell us anything about it?—I do not think that it was placed in the bank records. I drafted some letters which I tore up.

6258. Those were your own copies?—Yes. I have nothing left now except what I have produced. I do not even know whether that letter which I have produced was ever sent.

6259. As an experienced officer, and of business habits, would you not have considered it right and proper that your official and important correspondence should be filed at some place where it could be got at?—It was very seldom that we ever had any correspondence with the Government. We have had three or four letters I think in the course of my being in that bank. I possibly may have a record of them, but I cannot say at this moment. The data upon which my letters were founded were obtained from the bank. I used to send questions to the bank secretary, requesting him to fill up the information.

6260. What do you think was done with these important data upon which you rested your own statements?—Was there any other important letter?

6261. Yes, there is the one with regard to Mr. Brown's loan. There are other statements contained in your letters, and there must have been data for them, but the one to which I refer is the most important.—Those were data obtained from the bank officials.

6262. Where were they kept. If the information is not correct, who is to be held responsible?—I suppose that we must.

6263. As far as I can judge, not only is the information incorrect, but we cannot find out what it means. Can you state what was the meaning of the money said to be advanced on shares mentioned in the letter of the 30th of June?—I can only explain that that information, so far as I can recollect, was obtained from the bank; that we asked them what advances had been made.

6264. Cannot you recollect whether they said that it included all the advances merely, or the advances at the head office?—I cannot recollect how that information was obtained, but my impression is that it was obtained from the bank officials. I think that Mr. Chapman has stated in evidence that the letter was written by himself, and I cannot say for certain how the information was obtained, but my impression is that it was obtained from the bank. There is another paper which I have; it is on the bank liabilities and assets, dated the 1st of July (*producing the same*). What it has reference to I do not know; it may be the half yearly account.

6265. Did you look at all into the estimates which were from time to time sent in to the bank as to their position?—Yes.

6266. You were at the bank I think when Mr. Harrison's Committee, which reported on the 8th of September 1866, sat?—Yes. I took very great pains with those estimates, and I am very sorry that I have not those papers now with me, but I tore them up before I left Bombay; they would have given you some idea of the labour which I bestowed upon those estimates.

6267. Can you give me the information upon which you based the estimate, say of February 1867; that was the one after Mr. Harrison's Committee, and in which the capital was reduced one half?—We took the book of debtors, and went through each account separately, each director giving such information as he had with reference to each man or each association; and then we put down the amount of the debt in one column, and the amount which we thought would be likely to be realized in another, and in a third we put what was likely to be lost.

6268. Where did you get the information as to the returns from insolvent estates?—We got them, so far as they could be gathered, from the trustees of those estates.

6269. Do you remember whether you got them officially?—I think that we got all either officially or demi-officially, so far as they could or would give them to us.

6270. Did you get from them the valuation of the securities?—No, we got the information that they thought that the return would be so much.

6271. The securities would belong to the bank only?—Those we took ourselves from the best information which we had at the bank.

6272. There is no doubt that in your investigation you got your information by a very detailed and laborious process; did you give that information to the Government?—Not that I am aware of in detail, but we gave them the results.

6273. You neither officially nor demi-officially gave them the details?—Not that I am aware of.

6274. Neither directly nor indirectly?—Neither directly nor indirectly.

6275. Did you give them to any member of the Financial Department, for instance Mr. Edward Lushington?—No.

6276. Not in any way?—There was always a good deal of caution as to whether those estimates were reliable.

6277. Would it not have been a very simple thing to have said, "In the estimate which we have framed we have taken the returns from insolvent estates at the rates furnished to us by the liquidators or by the trustees; and as respects the securities which we hold, which are mainly so and so, we have valued them at such and such rates"? Did you ever give information of this kind, for instance, "We hold so many Back Bay shares," and we value them in the estimate at such and such rates?—I do not think that we ever gave the number of shares which we held; but if I recollect rightly, in the statement to the shareholders we stated how we arrived at the probable losses.

6278. Did you ever give the information in that way as to the mode in which you estimated the losses?—To whom.

6279. To any one?—To our shareholders I think that we did.

6280. Did you mention the rates?—I think that we took the market rates. I think that it is mentioned in the half-yearly reports. I think that we mentioned in those reports how we had arrived at the estimate.

6281. My point is with regard to giving information to the Government?—We took the market rate at the time, so far as I recollect.

6282. Was that done in previous estimates?—It was done in each estimate which we gave.

6283. You never gave information of that sort to the Government?—They got it indirectly in the reports.

6284. Those commenced in February 1867?—I think that before February 1867 we informed the shareholders how we had arrived at such results.

6285. Were you ever asked by the Government before for that information?—I cannot say that we were asked for it.

6286. (*President.*) Did you receive any allotments of shares during the time that you were a director of the Bank of Bombay?—None whatever at any time.

6287. I have been through the books of 40 or 50 Companies, and I never saw your name.—The only shares which I ever had were shares in the Bank of Bombay; those were obtained after the Secretary of State granted us permission to hold shares.

Tuesday, 8th December 1868.

PRESENT:

President.

Sir CHARLES JACKSON.

Members.

Major McLEOD INNES.
MAXWELL MELVILL, Esq.

Secretary.

F. D. CHAUNTRELL, Esq.

Sir HENRY BARTLE E. FRERE, K.C.B., G.C.S.I., sworn and examined.

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6288. (*President.*) When did you take your seat as Governor of Bombay?—On the 24th of April 1862.

6289. I think that the draft Act 10 of 1863 had then been approved by the Government of Bombay, and sent to the Government of India?—Yes.

6290. It was with the Government of India when you arrived?—I think so.

6291. It was returned approved by the Government of India, with some slight modifications, which are immaterial now?—I believe so.

6292. It was returned with the intimation that it should be passed by the Bombay Council?—I believe so.

6293. Do you not think that it would have been better if the Government of India had passed it?—It was a question for them to decide.

6294. But still we should be glad to have your opinion upon that point?—In what respect?

6295. Would not recent legislation for the Bank of Bengal, have caused the Legislative Council of India to have at once seen the great differences between that Act and the Act for the Bank of Bengal?—No doubt the means at the disposal of the Legislature of India, on a subject of this sort, are much greater than those of the Government of Bombay, but the interests concerned are in a great many respects very local, and my impression was, and is, that legislation of this sort, affecting the charter of a local bank, is likely to be better watched by the public of the place to which the Act refers.

6296. If it had been passed by the Government of India, would it not have been published in the gazettes of Madras and Calcutta, and have attracted the attention of the officials of the banks there?—It certainly would not have attracted the same amount of attention as the local legislation.

6297. Do not you think that, if it had been so published, it would most probably have prevented the very relaxations in that Act which were afterwards found there?—I do not think that it would.

6298. Do you not think that the Council of India would have been a better machinery for dealing with it, considering that it had both a finance minister and a legal member attached to it, both those members having lately considered the case of the Bank of Bengal?—Certainly; but on the other hand the interests of the bank are all local, and the discussion, which is necessary

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to the perfection of a measure of this sort, can hardly take place at the distance between Bombay and Calcutta, with the same efficiency as when both parties are nearer the spot.

6299. Was there much discussion upon this Act in the Legislative Council of Bombay?—There was less discussion than I expected in the Council; but there was discussion, and useful discussion, in the public prints, which I think could hardly have been expected, if the Act had been passed in Calcutta. The difference would have been, that instead of useful discussion brought to bear upon the Act before it was passed, there would have been unavailing complaint and recrimination at any supposed neglect of local wants or wishes.

6300. Before the 12th of May 1862 the Act was returned to the Government of Bombay, was it not?—I can tell you by referring.

6301. Do you not recollect that on the 12th of May 1862 you sent the draft Act to the Secretary of State, with the intimation that it was intended to be brought forward again in the next July session?—I have no doubt that you are right as to the date; I am speaking now from the dates which I find in the Memorandum at page 76 of the Blue Book.

6302. You will see by paragraph 46 that you sent the proposed Act to the Secretary of State?—Yes.

6303. With what object did you send it to the Secretary of State?—We had received instructions that no legislation was to take place regarding the Bank of Bombay, without the previous sanction and approval of both the Government of India, and of the Secretary of State.

6304. Have you a copy of that letter?—I am not sure whether I could lay my hands on a copy of the letter, or whether it was an intimation conveyed to me demi-officially.

6305. Have you any demi-official letter?—I will refer and see. If it were from the Secretary of State it would be a confidential letter.

6306. We must have all letters before us?—If I can find any letter I will see in what form it is, and I will inform the Commission. I may state that with regard to communications from the Secretary of State, I have always considered them confidential, and that it is not my duty to make use of them in evidence, without the previous sanction of the Secretary of State, by whom they have been written.

6307. That would not be any justification in a court of law for your withholding them, and we have just the same powers as a judge of the Court of Queen's Bench has. We have the power of enforcing the production of any document, and there is no limitation upon that power, except such limitation as the law imposes in courts of law. You must bring yourself within the exception allowed by a court of law, if you wish to exclude any document from our consideration.—It will be for the Commission to consider, should I have occasion to lay the matter before them, whether any communication from the Secretary of State comes within the category of a privileged communication, which they would not insist upon being produced.

6308. It could not be privileged. The only document which you could refuse to produce, according to law, would be a document which it would affect the interests of the State to produce. If you could bring a document within that category, namely, that the interests of the State will be affected at this period of time, by the production of a letter dated three or four years ago, that perhaps would bring it within the exception.—Should I be required by the Commission to produce any letter from the Secretary of State, that would be a point for the Commissioners to consider.

6309. I should certainly wish to see that letter. Did not that letter contain an express direction, that the Act was to be passed in accordance with the draft Act for the Bank of Bengal?—I am not aware of that, and without referring to the letter I cannot speak positively.

6310. You have no recollection as to that fact, that it contained a positive injunction that the Act was to be in accordance with the Bengal Act?—I have this recollection, that at the time when the Act was sent back to us, and in fact from the beginning of these proceedings, I had a distinct understanding

that no legislation was permitted to us in Bombay, without the previous approval both of the Government of India, and of the Secretary of State. My impression was, that that proviso was stated in some of the official documents on the subject. I have not been able to trace any official document which expressly says so, and, therefore, I speak on a probability that I might find it in a confidential letter from the Secretary of State. I can only speak to my own distinct understanding, that I was not at liberty to deal with this subject, as I should have dealt with it had it been an ordinary matter before us.

6311. According to your recollection, did not that letter contain an express direction, that you were to proceed in legislating for the Bank of Bombay according to the draft Act then passing, or about to pass, for Bengal?—Without referring to the letter I cannot say.

6312. It is most important for us to have that letter.—I beg the Commissioners' pardon, but I am not positive that the letter does exist. I speak positively on the point that I had a distinct understanding, which I communicated to all my colleagues, to everybody connected with the Government, that we were not to legislate without a previous reference to the Secretary of State, and the Government of India. I find in the official documents upon the subject a great many references to that understanding, but I have not been able to trace any distinct official prohibition, and therefore I conclude that I may have got my impression from a confidential letter. It may have been from the Secretary of State, it may have been from the Governor-General, or it may have been communicated to me in other ways. I can only speak distinctly as to the disability under which I felt that I was placed, and to the necessity under which I felt that we were, to refer to the Secretary of State, and to the Government of India before legislating.

6313. If that is so, have you any doubt that you had a confidential communication?—I cannot speak positively upon that subject.

6314. You could not have conversed with either the Secretary of State or the Government of India?—Certainly not. It may be in an official communication which I am not able to trace.

6315. Then perhaps we had better adjourn the production of that document until the first thing on Thursday morning. Can you attend us then?—Certainly.

6316. Will you search for that document, and then we will consider the question. I must express my opinion, of course subject to further consideration, that you cannot withhold any document from the Commission, unless you are able to swear that considerations of state render it unadvisable to produce that document?—I should be glad if the Commission would reserve their decision upon that point, because it appears to me to be a matter of extremely grave consideration, whether any official in the position of the Governor of a presidency, or of a colony, is at liberty to produce in his own defence, or in the defence of his government, communications which he has received from one of the Secretaries of State. I merely state my difficulty, and it will be for the Commission to consider it. My only motive for withholding that document would be one which must tell against my own government.

6317. Do you, or do you not, recollect an express direction proceeding from any-body to follow the Bengal Act?—Decidedly. We were to follow the Bengal Act as far as possible, with certain exceptions and limitations, a great many of which are set out in this summary in the Blue Book.

6318. From whom did you receive that direction?—My principal information on this subject is derived from the summary, and if you will indicate any particular point on which you would wish for further elucidation, I will endeavour to supply you with it.

6319. I know the summary almost by heart, and I want to get further information than the summary gives. I wish to know whether you received any instructions, and from whom, not mentioned in that summary, as to the preparation of the draft Act?—With the exception of such confidential communications as I have mentioned, I am not aware of any. There may be others which I may find on searching. If there is any particular point on which the Commission will have the goodness to say, "We wish for further elucidation on this question," I will make search.

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6320. Let us perfectly understand one another. I consider it material that this Commission should have all the correspondence, whether official, demi-official, or confidential, with respect to the passing of Act 10 of 1863, and I hope that you will attend on Thursday morning and produce all such documents, or give some legal reason why they should not be produced, and we will then deal with that legal reason.—I trust that the Commission will believe that I have the most earnest wish to place at their disposal every sort of information which I possess on this subject. There is one class of communications to which I have referred, namely, those from the Secretary of State, or from the Governor-General, as to which, for reasons of public policy, and in opposition to my own interests, I should be glad if the Commissioners took the same view as I take, namely, that they are not to be produced solely for reasons of public policy, and with no view to defend myself or my government. With that single exception I have the utmost wish to produce every paper which I can produce.

6321. If that be the case there will be no difficulty in your applying for and getting the leave of the Secretary of State to produce those documents; do you not think so?—My impression is that the Secretaries of State generally would take the view which I take in this matter; but it will be for the Commission to judge upon the point when I put in their hands a letter and say, "This is a letter which, for reasons of public policy, I deem ought not to be made public."

6322. At present we will adjourn that question. You will take a note that we want all confidential and demi-official communications received either from the Secretary of State or from the Governor-General, containing instructions, or otherwise relating to Act 10 of 1863; and that we shall expect their production, or a valid legal excuse for their non-production, the first thing on Thursday morning.—I trust that the Commission in the meantime will weigh the general objection which I have suggested on grounds of public policy.

6323. On the 16th of September 1862 there was a letter addressed by the Secretary of State to the Governor-General, which was also forwarded to you for your instructions. It was not an answer to the letter of the 12th of May at all, or intended to be, was it? It chiefly related to the currency, and only had a few incidental observations as to banking matters?—Are you referring to the document mentioned in paragraph 49 of the summary?

6324. Yes, it is all mentioned in the summary. Do you remember referring that despatch of the Secretary of State to the Solicitor of the Government for his opinion? You will find the material part of it set out in the summary at page 77.—I find in the abstract of the proceedings of the Government of Bombay for November 1862 a despatch from Her Majesty's Principal Secretary of State for India, No. 64, dated 16th September 1862.

6325. That is the one to which I allude; did not you refer that, with the draft Act, to the Solicitor of the Government?—Yes.

6326. Did you carefully read Mr. Bickersteth's reply or opinion upon it?—I cannot say whether I read that particular paper carefully. I read every part of this correspondence as it came before me with great care.

6327. Then you remember the particularly cautious terms in which that opinion was expressed?—If you will have the kindness to let me see the letter I will state.

6328. It is set out in page 77 of the summary. In the sixth paragraph it is said, "In other respects I have not altered the provisions of the bill, and do not "express any opinion as to its propriety, or otherwise. (7.) The enclosure "marked (A.) shows in red ink the amendments which I think should be "made in the 32d section of the bill, and, if they are approved, I will submit "them to the solicitors of the Bank of Bombay. (8.) Upon a comparison of "the powers intended to be conferred upon the bank, with its existing powers "and those of the Bank of Bengal as heretofore constituted, it will be observed "that they are considerably extended, and in some respects exceed those now "conferred upon the Bank of Bengal by Act IV. of 1862. (9.) The Secretary "of State in the 53d paragraph of the despatch desires that the business of "the bank be restricted to legitimate banking operations, such as those transacted by the Bank of England or by the Bank of Bengal, as heretofore

" constituted. (10.) So far as I am aware, the powers intended to be conferred " by the bill, though more extended in some respects than those of the Bank " of Bengal as heretofore, or at present constituted, do not exceed those of " the Bank of England; but my knowledge on this subject is very limited." Did that strike you at all?—It did not strike me more than any other part of the letter. I paid every attention to it, as was due to an opinion coming from the Solicitor.

6329. You see that he called the attention of the Government very forcibly to the fact that this Act was much more extensive in its operation than that of the Bank of Bengal?—Yes.

6330. You were otherwise, perhaps, aware of that fact?—Certainly.

6331. Then it appears that afterwards you adopted Mr. Archibald Robertson's suggestions as to the verbosity of this Act, and referred it to Mr. Advocate General Lewis. You will see, at paragraph 56 on page 79, that he made very little alteration in it, and then you referred it to the legislative department. Did you ever read this Act, and compare its provisions with those of the Act for the Bank of Bengal?—I looked over the Act with all the papers relating to it with as much care as I could give to a subject with which I was practically comparatively unacquainted. My view of our duty was, that it was desirable in the first instance to know from the Bank of Bombay what form they wished the charter to take, with reference to any alterations which might be proposed, and having done that, to criticise it with such means as we had at our disposal; and then to lay the best draft which we could procure of a legislative measure before the Government of India and the Secretary of State, to await their criticism upon it; and then to pass the measure, with any modifications which might seem desirable.

6332. The Act was read a first time on the 4th of February 1863, was it not?—Yes, it appears so from this summary.

6333. It was then referred to a Committee of the Council. That does not appear there, but I know it.—That would be the usual course.

6334. Did that Committee make any and what report?—I can inform you probably by referring to my papers.

6335. When you were referred to by Mr. Robertson about the verbosity of the Act, I find that you did in one of the very few Minutes which I find of yours say, "I would as a rule adopt the briefer language of the Bengal Act where the meaning is identical." From that I suppose you did not mean that you intended to adopt the principles of the Bengal Act, but merely that you would adopt its language as preferable language to the other, where the meaning was identical?—I have not seen this Minute probably since it was written.

6336. You merely meant by that, that where the Bengal Act and the Bombay Act appeared to convey the same thing, you would prefer the language of the Bengal Act?—That is apparently my meaning.

6337. Then on the 11th of Macrh 1863, the Act was read a second time and was passed, was it not?—You can tell by the legislative proceedings.

6338. Was there any real discussion in the Legislative Council about this Act? I find in the proceedings which are printed that two speeches were made by Mr. Tristram, but I find nothing else, and they were upon other points.—The printed proceedings no doubt give a very fair account of what passed. My own impression, and I believe the impression of the members of the Government at the time generally, was, that the measure had been sifted as far as it was possible for us to sift it, and that it then rested with the confirming authority to say whether we had made such a measure as they considered expedient.

6339. What do you consider to have been the policy of the Act? What did you understand by it?—I understood that, in consideration of the withdrawal of the right to issue notes, the action of the bank was to be less restricted than it had been.

6340. It was your intention to remove many of the restrictions which were to be found in the Acts of the Bank of Bengal and the Bank of Madras; that

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was your positive intention?—I considered that the bank was allowed by the Government of India, and by the Secretary of State, to have a less restrictive action, in consequence of the withdrawal of the right to issue notes.

6341. Did you ascertain what the old restrictions were, and what further liberty was intended to be given by the new Act?—In a general way I did. I went through every part of the papers, from time to time, as they were submitted to me, and made myself, as far as I could, acquainted with their general bearing.

6342. Were you aware that the old Act did not allow the bank to discount negociable securities, unless two persons, or firms, unconnected in partnership were bound?—I cannot speak to particular points of that sort, at this distance of time. I have explained to the Commissioners the mode in which the measure was dealt with. It was repeatedly before us at intervals extending over many months, and every time that it came before us I did my best to look into the particular point which arose. Whether this or that particular point attracted my especial notice, I should be unwilling to state at this distance of time, beyond this general result, that I considered that when we had taken all this trouble to send the drafts backwards and forwards, and to let everybody concerned know what was intended, we had, as nearly as possible, produced such a measure as the Secretary of State, and the Government of India would approve.

6343. You will excuse me, but that was not your usual way of doing business. You generally looked into things yourselves, and did not rely upon other people?—I do not mean to say that I relied upon any-one else. I formed my judgment upon what I then saw and heard for myself.

6344. I understand from you that you thought that this measure was to remove restrictions?—Certainly.

6345. Did you not apply your mind to consider what restrictions were to be removed, and what relaxation was to take place?—In a general way I did.

6346. I suppose that if you had any difficulty about it, you would inform yourself from inquiry of those persons who were competent to give you a good opinion?—Certainly.

6347. Did not you know that the old Act restricted discounts for instance, and that it was necessary that they should represent a real transaction; that there should be a bill drawn by one party upon another unconnected in business. The new Act simply says "negociable securities," which may mean a promissory note in a single name. Do you remember that great relaxation being brought to your notice?—That certainly did not attract my notice.

6348. Then again, there were many other restrictions; there was one as to time; advances were originally to run for three months, which was a very prudent restriction in the old Act, but in the new Act there is no restriction as to time. Were you aware of that?—I recollect inquiring, but I forget from whom, with regard to one of the restrictions which was removed, respecting time; and I was informed that it was found practically that restrictions regarding time were inoperative, when there was any particular motive or desire to get over them, and that restrictions of that sort were rather a snare and a delusion than a real safeguard.

6349. With a dishonest secretary certainly it might be so, but it is not a usual principle of banking to allow of discounts for more than three months at a time.—I am not sure whether the restriction related particularly to discounts, or to any particular form of note. I recollect inquiring of somebody, but of whom I do not remember, with a view to inform myself as to the wisdom of removing a restriction regarding time, and that was the general substance of the opinion which was given to me.

6350. Did it not strike you at all at that time, that the old Act prohibited any advance on bank shares, or on any certificate of shares, whereas the new Act allowed an advance upon the shares of public companies in India?—That did not particularly strike me at the time.

6351. We have discovered how that alteration was made, and it was made before the draft came before the Government, so that I need not ask you about it.

Did it not strike you that the old Act prohibited an advance to one person of more than three lacs, and that the new Act contained no such restriction?—That did not strike me.

6352. The old Act forbade any overdrawing of accounts; the new Act, in its original form, had a prohibition against the overdrawing of accounts in Schedule B., but that was struck out in the Legislative Council, so that in fact the new Act contained no such restriction, was your attention called to that point in any way?—Not specially, that I recollect. With regard to the removal of that Schedule of byelaws, since I have seen some of the proceedings of the Commission, there has been recalled to my recollection the reason why that Schedule was left out. It was considered that it might very likely require modification, and that it would be extremely difficult to modify it in the manner which might be necessary if it were requisite to come every time to the Legislature to alter a single byelaw, and that it was the better plan to leave it to the Board of Directors.

6353. Did you ever remark that the old Act required the Governor General to authorize any increase of capital, and that the new Act dispensed with that requirement, and left it entirely to the shareholders?—I do not remember observing that, but I do not think that it would have attracted my particular attention at the time, because at the time I was not at all aware of any risk which was run in increasing the capital of the bank, beyond the risk to the shareholders of being called on to pay money which might lie idle.

6354. Did it strike you that whilst the capital under the old Act was half a crore, the new Act authorized two crores and nine lacs?—I was aware of that fact.

6355. Of course it is only a matter of opinion. We are not a court of law, and we should like to have the opinion of a person of your position. What is your opinion now of that Act 10 of 1863?—In what respect?

6356. Do you think that this was a wise or prudent measure?—Judged by my present lights, I certainly do not consider that it was a wise or prudent measure. At the time I considered that we had taken every possible pains, to make it what was considered a wise and prudent measure, by those who had a larger view of such subjects than we had.

6357. What am I to understand from that answer? Do you mean to say that you relied upon the commercial members of the Legislative Council, or is it the Secretary of State, or the Governor General of India to whom you refer?—As a matter of opinion, my opinion is that we do not possess, and did not possess in Bombay, or in any part of India, the amount of intelligence and experience with regard to banking affairs, which is necessary to pass a really good and sound bank charter for such a large institution as a bank connected with the Government, and supported by the Government, ought to have. As a matter of opinion, I should hold that it is only in a place like London, that you can find that amount of commercial experience and knowledge of banking matters, which would render legislation perfectly safe with regard to what may be considered the National Banks of India.

6358. Does not that opinion rather tend to show the boldness (to use the mildest term) of making any very great departure from the old Acts which had worked so well?—I am speaking now of matters of opinion. My opinion, expressed before I went to Bombay at all, had always been against partial and local legislation, and against the constitution of local banks with the large powers required for an imperial bank in India. I had held, and I hold now, a very strong personal opinion, that in order to execute the functions which were expected of us in the Bombay Bank, you require a National Bank, formed with at least as much deliberation, and with the aid of as much experience, and banking knowledge, as the Bank of England. I might say even more so, because, as the Commission is aware, the mercantile peculiarities of India are in many respects very different from those of England, and in addition to everything which relates to the difficulties of framing a good bank charter in England, you have the difficulties of dealing with a very old, and experienced, and widely extended, and rich native mercantile community, who have been for many ages dealing with this very matter of

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banking, on different principles, and in a different manner from the bankers of Europe.

6359. Still does not the question remain, that if there was such a great difficulty in getting sufficient experience to frame an Act, it would have been better for the larger Council of the Governor General to have reframed it, or better for you not to have departed so very much from the old line?—It is quite possible, as a matter of speculation, that the Bombay Bank Charter Act might have been passed in a better form if it had been sent to Calcutta, but as a matter of opinion, I am not at all satisfied that you would have had a better measure if it had been passed in Calcutta. I will mention one reason why. Whenever the Bombay directors, or shareholders, wished for a relaxation of restrictions, which the Governor General might have wished to have imposed, the probability is, that the question would have been discussed and pressed very earnestly in the Bombay view upon the Calcutta Legislature, and it is quite possible that the Act regarded as a Local Act might have been passed with even less consideration of suggested alterations than we gave to it in Bombay.

6360. Before we pass for the present from this question of Act 10, I wish to ask you whether you can give me a list of the non-official members of the Legislative Council at the time of the passing of that Act?—I will take a note of that and ascertain.

6361. I find by the Bank Minutes of the 2nd of February 1862, that the directors asked Rustomjee, Mr. Tristram, and Mr. Scott to look after the Bill in the Legislative Council; then shortly after the Act was brought in they asked Mr. Scott to do so. Had Rustomjee and Mr. Tristram retired in the meantime?—I will obtain that information.

6362. How many commercial members were there when the Council was full?—That I cannot speak to now.

6363. I should like to have those particulars.—Before leaving this question of the Act, I would beg to mention that my opinion on this subject, with regard to the difficulty of passing Bank Charters in Legislative Councils in India, was repeatedly stated to the Government of India, both before and since the passing of this Act. It is no recent opinion which I have taken up from what has passed.

6364. Have you any copy of a letter which you can show us pointing out those difficulties?—I had held on this point very much the opinions which Mr. Wilson held with regard to the necessity of having a National Bank for India.

6365. A general bank for all India?—Yes.

6366. I have seen some of your opinions on that subject. The next question to which I will turn is that of the increases of capital; were you consulted at all in respect to those increases?—I cannot tell in what particular form I was consulted, but, with the permission of the Commission, I will refer them to what was one of the original reasons for increasing the capital, which, as far as I can judge from the evidence which I have read, has escaped the attention of the Commission.

6367. As to the first increase I think there can be no doubt that it was a very wise and prudent measure. The note circulation had been withdrawn, and the bank had to supply that vacuum.—I am not sure whether these letters have been before the Commission. They relate to a crisis which took place in November 1863.

6368. No, we have not seen those letters.—In November 1863 the Government were addressed in these terms, first of all by the Manager of the Commercial Bank of India (*Exhibit A* 171). "To A. D. Robertson Esq., Financial Secretary to the Government; Sir, I beg to bring to your notice the extremely critical state of financial matters in Bombay at the present moment and to express my conviction that, unless Government interferes in some manner, so as to grant relief, something approaching to a general bankruptcy must take place within the next few days. The mint is working in a more dilatory manner than it ever was known to do before, when such an amount of bullion had been tendered to it for coinage; and it is reported that the orders at the mint are that the Assay Department shall not work in excess of the Coinage

Department. At present I believe the out-turn is only about 2 lacs a day. Last year, when the pressure was not half so severe as now, the mint worked night and day, and the out-turn was double what it is at present." Then he goes on to suggest a measure which I will not read, unless the Commission wish me to do so.

Then the Agent for the Oriental Bank Corporation, Mr. Macneil, addressed Mr. Robertson on the 16th of November in the same manner: (*Exhibit A* 172) —"I have the honour to bring to your notice the present unexampled state of commercial affairs in Bombay. You are doubtless aware of the critical state of the money market, and the great difficulty the public have in procuring money on any security whatever; should no relief be afforded, and any alarm arise in the bazaar, it is difficult to predict what the consequences might be."

6369. What is the exact date of those letters?—16th November 1863.

6370. That was after the first increase of capital?—Then it tells even more strongly on the point. There are then various suggestions as to the increase of the power of the mint, and so on.

6371. As I understand you, your object in reading those letters is to show that there was really a want of more capital in Bombay at that time?—Then here is a letter from the Government of Bombay to the Government of India, dated the 20th of November 1863. "I am directed to bring to the notice of the Government of India, the critical position in which the money market of Bombay is at present placed. The Bank of Bombay raised its rates on the 29th ultimo to 11 per cent. on Government bills and 13 per cent. on private bills, and has during the last three weeks been obliged to refuse all accommodation to the public for want of available funds at its command, and so low had the bank's balance fallen, that on the 14th instant it stood only, as follows:

	Rupees.
Cash - - -	4,13,753
Notes - - -	5,77,580
Total Rs.	9,91,333

The other banks, it is believed, are also in a similar position, and the managers of two of them (the Commercial Bank and the Oriental Corporation) copies of whose letters are annexed, have addressed Government on the subject, requesting that the mint master be authorized to issue mint certificates for amounts approximating to the value of the silver bullion tendered to the Mint for coinage.

This state of matters, which it was believed would have been relieved after the Dewallee (at which time there is always a temporary pressure owing to the practice of the native merchants of accumulating all their available money in their houses for luck's sake) is, I am to observe, prevailing, while there is no want of bullion in the hands of the banks and European firms, and if this bullion could be converted into coin, the immense pressure on the market would at once be removed."

6372. Then I understand you to say that you thought that the second increase of capital would be a wise and prudent measure?—This was one of the facts which came to our notice, which was reported to the Government of India, and also to the Secretary of State, in a Despatch of the 28th of November 1863, and which seemed to show that, even as it then stood, the Bank of Bombay had not sufficient means to do what it was necessary for a bank in that position to do for the commercial interests of the place.

6373. I asked you whether you were consulted upon the increase of the capital; I did not quite catch your answer?—I do not recollect being specifically consulted as Governor. I knew that an increase was talked about, and that the subject would come on for discussion, but I do not recollect being consulted as to whether it was necessary.

6374. You were not consulted as to the third increase of the capital?—I have no recollection of being previously consulted. My view was that we might leave the bank to judge of this matter for themselves. The evil which the proceedings which you are now investigating have brought to light, of a large unemployed capital leading to an improvident use of it, had not then occurred to me. There was a great complaint against the bank keeping its

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money unemployed, and being very slow in making use of it, and giving very small dividends to the shareholders, and my impression was that the bank was prudently and wisely disposed to take proper care of the funds at its disposal, and that there were two special reasons why we should leave it to them, the chief bankers of the place, to consider what capital was necessary to them. Those reasons were, first, a pressure of the kind to which I have just referred; and, secondly, the just ground of complaint which the bank had with regard to the Government balances at different places. That point has a great bearing upon this question.

It was held by everybody connected with the Government, and I believe the opinion was shared by the Government of India, and by the Secretary of State, that it was not a provident measure to have given over to the Bank of Bengal the Government balances, without the bank possessing a larger capital than it did possess; that the temptation which the bank was under would be to use, for ordinary commercial purposes, the Government balances which might be called for to any amount at any time, and which were a precarious resource of the bank, and that it was necessary, before the Government balances were entrusted to the bank, that the bank should be in a stronger position as regarded its own capital. I am not certain how I got the impression, but my impression was that the Government of India, as then constituted, and the Secretary of State, would not have permitted us to make over the Government balances, without the fullest assurance that the bank's capital was quite large enough to remove all temptation to use the Government balances as they would use ordinary balances entrusted to them by private individuals.

6375. I want to ask you a question of fact which I forgot to ask a director. Did the Government vote upon these questions of the increase of capital?—I cannot say.

6376. We have one authority saying that the Government never did vote upon any one question; but you do not happen to know?—I do not know.

6377. Your consent was not required by the Act to the increase of capital, and I only ask you these questions for the purpose of giving you an opportunity of explaining how far you may in fact have been consulted?—It is only just to the bank that I should say that I was cognizant beforehand of every proposal to increase the capital; and that in each case, as far as my opinion went, it seemed to me that a case had been made out for increase, but I am not sure that I was ever asked officially, or in any form, with a view to communicating my opinion.

6378. You have referred slightly to another question upon which there has been a great deal of correspondence, and I have never been able exactly to find out how the matter ended. There seems to have been an understanding between the Bank of Bombay and the Government, that when they opened branches at different places the treasury balances should be transferred to those branch banks. That understanding went on, and there was an active correspondence upon that subject all through the year 1862, and the bank eventually addressed Sir Charles Wood upon the hardship of the matter, and Sir Charles Wood wrote back again, and referred the matter back to you. How was it that the bank never got those cash balances?—There are two minutes which relate rather to what you have been speaking about before, but perhaps you will allow me to refer to them. There was a letter from the Bank of Bombay of the 8th of May 1862, requesting that an extraordinary meeting of the local Legislative Council might be called for the purpose of passing the Bill for the incorporation and reconstitution of the bank, and urging the importance of the Government treasuries at Poona, Ahmedabad, and Surat being made over to them. On that I find that I made the following minute: "A copy of the draft of the new charter goes home by this mail to the Secretary of State for his consideration. The bank might be informed in reply to their letter that the Government has referred on the subject of the Bill to the Secretary of State, and that it is not likely the Bill can be passed before the next ordinary meeting of the Legislative Council; but no delay which it is in the power of this Government to avoid shall be allowed to interfere with the passing of the Act." Then I put a question, "Does the transfer of the treasury business depend on the Act?—If not, we may consider that separately." (*Exhibit marked A* 174.)

6379. The bearing of this matter may be put in the following way. The Government require the bank to increase its capital for the purpose of strengthening its position, so that they may trust their treasuries to it; it increases its capital, and it opens branches, and then the Government do not hand over the treasuries to those branches. I want to know exactly the position. Who is to blame for not handing over the treasuries, if there is any blame in the matter?—There is a second minute. I find that that letter produced a remonstrance from the bank in June 1862.

6380. It continued long after that. The bank officials were very much annoyed. On the 16th of October the bank wrote a long letter to Sir Charles Wood stating their case as to these treasuries, and they recited the letter of the Government of India of the 19th of March 1861, and they made out a sort of promise on the part of the Government that they would do this. I cannot find that the treasuries were ever handed over to the bank, and if not, why not?—There are these letters further on, there is the Chief Secretary's memorandum which is quoted in a minute of the 1st of July 1862.

6381. There was a letter of the Bombay Government cited in the Board minutes of the 10th of July, in which it was said that they awaited a reply from the Government of India to a reference made to them to enable the Bombay Government to decide the terms upon which the Government treasuries at the stations at which branch banks had been established by the bank were to be made over to it.—I find that on the 1st of July 1862 I pointed out again why the Act had not been passed (*Exhibit A* 175), and my minute goes on to say "Add that the Governor in Council would gladly have complied with the request to lay the Charter Bill before an extraordinary session of Council, but that in the interim doubts had arisen as to how far its provisions were in accordance with the views of the Secretary of State, and these doubts could not be resolved without a reference to England, in making which no time was lost. The bank cannot be more anxious than the Governor in Council for the passing of the bill, but until assured as to the views of the Secretary of State it cannot be proceeded with. The whole correspondence has gone home to the Secretary of State. Inform the bank that this is the case. Telegraph for an early answer daily till a reply is received."

Then there is a memorandum in the margin from the Chief Secretary. "Paragraph 7.—With respect to paragraph 7 of the letter" (that is the letter from the bank) "I beg to explain that the agreement referred to is the one which has been executed between the bank and the Government, in the 20th article of which provision has been made for the establishment of branch banks, and that we are awaiting a reply to the letter to the Government of India, No. 783, dated 7th instant, to enable us to decide the terms on which the Government treasuries at the stations, at which branch banks have been established by the bank, are to be made over to it." (*Exhibit marked A* 175.)

6382. That is what I have just been reading. I am aware of all that, but I want to know what was done eventually. It appears to have gone up to the Governor-General, and the bank appealed to Sir Charles Wood; why is it that the bank never got these treasuries?—I believe that we were perpetually making references to the Government of India on this subject, but that we did not receive authority to make over the treasuries.

6383. I can very well understand the conduct of the Government of India after, say, 1865, when they got alarmed about the bank; but in 1863 and 1864 there was no alarm, and I cannot see why they should not have handed over the treasuries?—That would be a question for the Government of India to answer rather rather than for myself.

6384. Are you prepared to say that you got no order and no explanation back from the Government of India about this matter?—I believe not; but, if you will allow me, I will look further. I find a draft agreement which was sent to the Government of India on December the 23d, have you that?

6385. We have a great deal of correspondence with regard to that, but I would rather put that question of the agreement aside?—Here is a letter which I find in March 1864, have you that?

6386. I do not know that I have.—It is a letter from the Government of India.

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6387. Of what date is that letter to which you refer?—March 23d. I find in the abstract of proceedings of that date "Letter from the Government of India, No. 6280, dated 17th December 1863 (*Exhibit A* 176), remarking that on the 14th of November 1863 the balance of the Bombay Bank was rupees 9,91,333, while its liabilities payable on demand were on the same date, rupees 1,56,71,745, and requesting information as to what explanation the Government directors can give of a bank, in the proper management of which Government are so much concerned, having been allowed to fall into this state."

Then there is a reference to a minute by Mr. Birch, Government Director, concurred in by the Honourable A. D. Robertson, dated 27th January 1864, and there is the following letter to the Government of India. "I am directed to acknowledge the receipt of your letter, No. 6280, dated 17th December 1863, relative to the state of the balances of the Bank of Bombay in November last, and to forward herewith copy of a minute by Mr. S. D. Birch, Government Director of the bank, concurred in by the Honourable A. D. Robertson, together with a copy of memorandum which, with your letter and the above minute, were placed before the Honourable the Governor in Council. I am instructed to state that this Government do not see any grounds for holding the Government directors, who are only three out of nine members of the board of directors of the bank, in any way responsible for the general management of the bank. That management, I am to observe, was freely criticised at the period to which your letter refers by the public press, and the commercial community, but Government find that the pressure then experienced by the Bank of Bombay was shared by every one of the numerous banking institutions in Bombay. This Government are not in a position to judge to what extent a different system of management might have enabled the Bank of Bombay to hold a better position. His Excellency in Council would, however, have gladly gone further into this question, but for a conviction that Government themselves are not in a position to censure the bank's administration, for the reasons noticed in Mr. Birch's minute. The balances in the district treasuries have not been made over to the bank owing to the non-receipt of the authority asked in my letters noted in the margin," they are dated 23d December 1862, the 22d June 1863, the 19th of September 1863, and the 28th of October 1863. (*Exhibit marked A* 176.)

6388. What is the date of that letter?—The 23d of March 1864.

6389. What is that book from which you are reading?—An abstract of the proceedings of the Bombay Government Financial Department, 1864. It is not regularly paged. The letter goes on to say, "And I am further to state that the unexpectedly heavy drafts from the Secretary of State have led to the Government balances being overdrawn. Since the pressure above adverted to took place, the capital of the bank has been doubled, and a proposition has since been agreed to by the shareholders for a further increase, but I am desired to submit it is not the less desirable that this Government should be enabled to fulfil their engagements to the bank by handing over to it the balances in the district treasuries."

6390. Did the Governor-General still decline to do it?—I do not think that any answer declining was received; the matter lay over, as far as my recollection goes, but I speak under correction. You will find the letters referred to at page 65 of the appendix to the abstract for that month.

6391. How did the matter end? What was the position of things when the panic came; the treasuries had never been handed over?—They had not been handed over at that time. I am not sure whether at Poona the treasury had not been handed over, but I think that I could find out by referring.

6392. Do you recollect whether the Governor-General ever assigned any grounds for not handing over the balances?—I do not recollect that we ever had any expression of the opinion of the Government with regard to handing over the balances. This is an important minute by Mr. Birch to which reference is made.

6393. At what page is it?—It is at pages 65 and 66 of a sort of appendix to the abstract for that month. Mr. Birch, speaking on behalf of the Government directors, says at paragraph 5: (*Exhibit A* 176) "During only the first eight months of the arrangement with Government the balance at its credit

with the Bank of Bombay was generally in excess of the maximum. Since then the fluctuations have been so great, and the amount has so often been below the 30 lacs, that the Government business has been one of much anxiety, and but of little benefit to the bank."

Further on, at paragraph 14 of the minute, he says, "In considering this question it must be borne in mind that the immediate contraction of the bank's business had been rendered more difficult by the necessity that had been forced upon it of supplying the branches with funds. When it was decided by the directors to establish branch banks, the measure passed on the understanding that the Government would be prepared at once to make over the Government business and the treasuries on certain conditions, wherever a branch might with its sanction be opened. The course that had been pursued with the Bank of Bengal led the board to the conclusion that no delay would take place in this arrangement; but although several branches have now existed upwards of twenty-two months, not one of the Government treasuries has as yet been made over. The result has been that, instead of the branches having funds at their disposal from sources the directors conceived they were justified in relying upon, the head office has been compelled to keep them supplied, instead of being feeders to it, as it was expected they would be; they have been a continuous drain."

6394. What is the date of that minute?—The 28th of January 1864.

6395. Why did you refer this matter to the Governor-General of India?—We were not competent to make over the balances without the sanction of the Government of India. The whole of the account department is directly under the Government of India, and the Government of India corresponds direct with the Accountant General, and the movement of funds, and the provision of funds at each treasury, is one of the functions which the Government of India especially reserves to itself. The matter has been one of frequent complaint and discussion with the Government of India, but the point is one to which the Government of India attaches great importance.

6396. The agreement provides that "if at any time during the continuance of this agreement the said bank shall establish a branch office at any town or place other than Bombay, and the Governor of Bombay in Council shall offer to the directors of the said bank for the time being, and the said directors shall, on behalf of the bank, accept the business of bankers to the Government of Bombay for the district or locality within which such branch shall be established, or the business of issuing and circulating the Government paper currency within such district or locality, then and in every such case the business so arranged to be taken up and performed by the said bank shall be carried on under and subject to the provisions of this agreement, so far as the same are applicable, and on the basis of the clauses cited in the margin, being the third and fifth paragraphs of the memorandum of the Government of India of the 20th of March 1861, relating to the establishment of such branch bank, except in so far as the provisions of this agreement, or of the said clauses, may be modified or altered by any special agreement which the said Secretary of State in Council, through the Governor of Bombay in Council, may from time to time enter into with the said bank in reference to the business so to be carried on at the particular branch bank." I suppose that you considered, did you not, that that authorized you to deal with the bank?—Certainly not in the way of transferring the Government balances to it.

6397. That agreement was approved of by the Governor-General in Council?—We certainly had no power to make over the Government balances without the distinct sanction of the Government of India.

6398. You considered that to be in the financial department as to which the Governor-General was supreme?—Yes. I find that on the 18th of May in the same year, 1864, the Bank of Bombay forwarded to the Government of Bombay a copy of a letter addressed by the directors of the bank to Sir Charles Trevelyan complaining of the delay. (*Exhibit marked A* 177.)

6399. We have that in the minutes?—Then I find that there are two more letters from the Bank of Bombay to Sir Charles Trevelyan on the subject of the present position of the bank. (*Exhibit A* 178 *and A* 179.)

6400. I think that we have those letters?—Then there is a letter from the Government of Bombay to the Governor-General of India, (*Exhibit A* 180),

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"The Governor in Council trusts that the sanction of the Government of India will be accorded to the arrangements which have been agreed to between this Government and the bank, with the view of carrying out the transfer to it of the business of the Mofussil treasuries, and which have been concluded so as to avoid the necessity of any cash payments to the bank on account of establishments, and on terms which his Excellency in Council conceives to be more advantageous to the Government than the agreement made with the Bank of Bengal with the same object." (*Exhibit marked A* 180.)

6401. What is the date of that letter?—September 24th, 1864. Then there are the two letters to Sir Charles Trevelyan. I have not been able to trace them, but they must have been voluminous letters, for they occupy several pages.

6402. Was there no answer from the Government of India to the letter which you have read?—I am not aware of any; there was certainly nothing which enabled us to act. I ought perhaps to mention that I have understood that the Secretary of State disapproved of the arrangement under which the Government balances had been transferred to the Bank of Bengal, and that, pending a decision on that discussion, this matter was held over as regarded Bombay.

6403. Then probably you had some demi-official communication to that effect?—Probably; that was the impression which I had at the time.

6404. Namely, that there was a discussion going on between the Secretary of State and the Governor-General as to the transfer of the treasuries to the Bank of Bengal?—I understood that the treasuries in Bengal had been transferred, and that the Secretary of State expressed his disapprobation of the terms under which the transfer had been made, and that pending the decision of the points at issue between the Secretary of State and the Governor-General of India, this matter as regarded the transfer in Bombay was held over.

6405. Have you any demi-official letter stating that?—I will see.

6406. I think that we must add to the requisition which we have made for Thursday morning, that you produce all demi-official letters as well as confidential letters; they are very much the same, are they not?—Unless the subject matter is specified it will be difficult to produce the letters. The demi-official correspondence is very considerable in bulk.

6407. Of course, I mean only that relating to the Bank of Bombay.—But with regard even to that, the demi-official correspondence is extremely voluminous.

6408. Unless you can bring it within some legal objection I should like to see it.—I have not the least objection with regard to the greater part of it, but I have great difficulty in knowing what the Commission requires.

6409. I should like to see all those letters, and then we will return all those which we do not want. I should like to read everything relating to the Bank of Bombay. Have you any further papers to which to refer us?—There are some papers in April 1864 which illustrate the mode in which the correspondence passed between the Government of India and the Accountant-General.

6410. I do not think that we want that.—It shows how the correspondence went on without reference to the Government of Bombay.

6411. I am quite aware of that. I know that the financial department is quite a distinct branch?—I have no doubt that I can refer to other letters which will illustrate the way in which we pressed this matter upon the Government of India.

6412. We will turn to another matter. Do you remember the establishment of the branch bank at Kalbadevi?—I recollect that there was a branch opened at Kalbadevi.

6413. Do you remember that it was brought before you in Council?—I do not recollect it being specially discussed in Council. I find in these abstracts that the bank wrote a letter on the subject, and that it was approved.

6414. That was the letter (*handing Exhibit* V. 1. *to the witness*). Did you authorize Mr. Robertson to sanction the establishment of that branch at Kalbadevi ?—I cannot say whether this was authorized or not. My invariable custom, I believe, when a paper came before me was to put my initials, or some mark of its having passed through my hands, with the date.

6415. Mr. Robertson says that he has no doubt of that fact, and that the letter was produced by him at the Council and read, and the order taken verbally ?—It is very possible.

6416. Do you recollect the transaction ?—I have no recollection of anything of that sort passing in Council, or when Mr. Robertson attended me with his box of papers.

6417. Was your attention called to the clause of the Act at that time authorizing branches ?—I have no recollection of anything of the kind. My recollection goes no further than that the Kalbadevi branch was established, and with the approval of the Government.

6418. Were you aware of the clause of the Act which only authorized the establishment of branches outside of Bombay ? (*handing the Act to the witness*). —The question whether this Kalbadevi branch was, or was not, properly established under this clause (I speak almost confidently), was never raised.

6419. Whose duty was it to bring that matter before the Government ?—It was certainly the duty of the Government to see that no branch was established contrary to law.

6420. My colleague, Major Innes, suggests to me whether the fact of your name not being on that document may be explained by the circumstance that it would be sent round in a slip, and that the slip would be signed by you ?—The fact of my name not being to this document, in no way diminishes my responsibility for the Act, because I have no doubt that in the printed abstracts this would appear as routine business, and would be disposed of without previous reference to Government. It was my duty, and as far as possible I performed that duty, to look through these abstracts, and to note wherever the previous sanction of Government ought to have been obtained. If, as I conclude, this is among the printed abstracts, the responsibility of myself as Governor is the same as if it had been previously submitted to me.

6421. What was your system ? The Calcutta system used to be that there was a list of the business in one margin, and the note of the secretary in the other ?—The way of doing business was that any paper of any importance, which was not considered routine, was either sent round to one or more members of the Council, or was submitted at a Council ; and, if it went round, it was the duty of every member, whether he passed an opinion or not, to put his initials and the date, so as to show that he had passed the paper. If it passed at Council the secretary would usually make a note that it had passed, with or without discussion.

Matters of routine, or matters upon which the secretary felt certain that he knew what the Government orders would be, he might dispose of at once without previous reference ; but they would all appear in the printed abstract, of which copies ought to be furnished to the Governor, and he should run his eye over them, and see whether in any of the matters which had passed, without previous discussion, or reference, the secretary's powers had been exceeded.

6422. There is nothing there which leads you to doubt Mr. Robertson's statement, that he must have produced that letter to you in Council ?—Nothing.

6423. The next point to which we will refer is the steps which you took to repress speculation by government officers. You re-published, I think, all the previous orders and minutes, did you not, about the 16th of November 1864. On the 16th of November 1864 you issued an order and republished the minutes of Lord Dalhousie and Lord Elgin. First of all you published a minute of Lord Dalhousie of the 28th of May 1852, which prohibits interference with the management of Joint Stock Companies. Here are the minutes if you like to look at them (*handing Exhibit* U 2 *to the witness*). In point of date they run thus,—on the 28th of May 1852 there is an order of Lord Dalhousie which is very short, it prohibits any interference with the manage-

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ment of Joint Stock Companies. You then published some long minutes of November and December 1861 by Sir George Clerk, the object of which was to repress speculation altogether?—Yes.

6424. Then you published an order of the 11th of March 1862 which I suppose was an order of Lord Elgin's. I think that he had then arrived?—I think so.

6425. Probably you were a party to that order in Calcutta?—Yes. I think that it was passed on Sir George Clerk's minutes coming before the Governor-General in Council.

6426. Then you passed your order of the 16th of November 1864. What was the exact meaning of that order? What was your exact object?—It had come to my notice that a great number of the servants of the Government had been accepting shares, and were liable to be involved as shareholders in Companies with which they might be officially connected; and I found that the orders which were in existence on the subject, the orders of Sir George Clerk especially, were imperfectly known. They were entirely unknown to some of the higher members of the service, and we considered in Council what should be done, and after considerable discussion that notification was issued. There was a discussion as to how far we should go, and I considered that the notification should take the form which it now bears, and if possible I should have been glad to have made it rather stronger, but there was very considerable doubt as to whether we were not going beyond what would be considered legal and right, and we did not consider that it was wise to do more than is specified there.

6427. That order, as it seems to me, contained no prohibition against civil servants investing in the shares of the Companies of the day?—It appeared in the course of the discussions that the question of issuing a prohibition had been considered by the Government of India, and that no prohibition had been issued, and that we should be going beyond our powers if we issued a prohibition.

6428. You refer to the order of Lord Elgin of the 11th of March 1862?—Yes, and there were previous orders on the subject.

6429. There was an order of Lord Dalhousie on the 28th of May 1852?—Yes, and there were Sir George Clerk's.

6430. Sir George Clerk's were only minutes, they were not published before you arrived, were they?—A part of them had been published, but not as I thought that it was desirable that they should be published.

6431. I want exactly to know why these orders were issued at that time?—They were issued because it appeared that the whole Government service was becoming demoralized by the share speculation, and we went as far as we considered we could go, to stop the habit of entering into these share speculations.

6432. Had you heard that any officer of the Government connected with the Bank of Bombay had been speculating in shares?—I had. I obtained my information in the first instance from the public prints. The Bombay Gazette had written several articles which I at first read as imputing motives to the members of the Government, and I did not at first give them the attention which I should otherwise have given, because I felt that the members of the Government were above all suspicion in the matter. Afterwards they became more specific, and I was informed that some members of the Government service had accepted allotments of shares; and personally, as far as I could, I impressed upon those with whom I was in communication my own views, which were very well expressed by Sir George Clerk's minutes on the subject; and, after the discussion to which I have referred, the Government collectively put out that notification. The Commander-in-Chief, Sir William Mansfield, thought that the notification I proposed went rather further than we were justified in going, and he submitted an alternative draft, but after discussion, I published my own draft, with the concurrence of Mr. Inverarity. (*Vide Exhibit marked A* 181.)

6433. I ask the question again because you have not answered it. Did you know that any director of the bank was engaged in speculation? Did you hear of it?—I had heard in the manner which I have described, that one of

and if not, whether any representations were made by them on the subject to Government. In the former case, the Government Directors should be called upon to submit an explanation of their proceedings, copies of which should form enclosures of the Report." The last paragraph is, "I am to request that information on the points above referred may be furnished as soon as it can be obtained."

There were seven inquiries there; first, as to the assets and liabilities; secondly, what had been the losses of the bank since the commencement of the crisis; thirdly, what was the amount of overdue bills; fourthly, what proportion of that amount might be fairly expected to be realized; fifthly, what were the prospects of the bank with reference to the bills which had yet to run; sixthly, whether the provisions of the bank charter had been violated; and seventhly, what had been the rates of advances on shares. How long at that time was a letter coming from Simla to Bombay?—It might have been five or six days.

6481. You see a letter of the 29th of June on page 4; how came that letter to be written? what was the object of that letter to the Government directors of the bank? was it on the receipt of this letter from the Governor General?—I should think not, otherwise the letter would have been specified.

6482. It does not specify it at all.—The point will be cleared up by reference to the original letters. This letter of the Government of India must bear some endorsement upon it.

6483. We have not seen the original letter itself. You do not think that this letter of the 29th was another letter written with the view of carrying out the Governor General's intentions?—I think not.

6484. It certainly does not. Your letter of the 28th of June in the confidential appendix cannot be an answer to the Governor General's letter of the 22d, because it could not have arrived at Poona at that time?—No.

6485. Will you kindly tell us whether that letter of the 22d of June was ever answered?—I will look through the papers and see, but unless it is specified in some of the letters, I conclude that it is not answered.

6486. I will tell you how I think that you fancied that you answered that letter, but I may be wrong. If you turn to page 9, in which is the letter from Mr. Lushington to the Secretary of the Government of Bombay of the 13th of January 1866, and if you look at paragraph 5, you will find these words,—"But as the Government of India was subsequently assured, from a copy of a despatch addressed by your Government to the Secretary of State, No. 12, dated 8th July 1865, forwarded with your letter, No. 619, dated 10th July," (which I cannot find) "that the liabilities of the bank, though unusually large, were not likely to result in heavy loss, and that its difficulties were for the most part of a temporary character, His Excellency in Council was unwilling to press for an immediate inquiry, which might have given rise to unfounded alarm, and impaired the credit of the establishment. Six months have now elapsed since the critical state of the bank called for the assistance of this Government as before mentioned, yet no substantial improvement seems to have taken place, either in the condition of its affairs or its management." Is it not clear from that letter that what you did was to send the letter which you addressed to the Secretary of State of the 8th of July, which you will find at page 3 of the Blue Book, to the Governor-General?—Yes, I may mention that every letter to the Secretary of State must have gone to the Governor-General, that is to say, a copy of it.

6487. Have you a copy of that letter of the 10th of July 1865, enclosing this letter to the Secretary of State?—No. I have looked for it, and have not been able to trace a copy as yet.

6488. I suppose that it was merely a formal cover?—I cannot tell.

6489. Had this letter to the Secretary of State, which you sent to the Governor-General, the enclosures of the Government directors' Report? When you sent it to the Secretary of State, you sent the enclosure of the Government directors' Report of the 30th of June 1865; did you do the same to the Governor-General?—Of course. Every despatch which goes to the Secretary of State is sent complete, with all enclosures, to the Government of India.

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6490. You observe that this letter to the Secretary of State of the 8th July 1865, enclosing, as it seems, the Report of the Government directors of the 30th June 1865, does not contain any answer to six out of the seven inquiries of the Governor-General in his letter of the 22d June 1865 ?—That is quite clear from a comparison of the letters now. At the time I feel assured that we were under the impression that we had obtained all the information which could be obtained upon the subject, which was desired by the Government of India, and that we had given it to the Secretary of State, and to the Government of India.

6491. You gave the Secretary of State all that he asked for; he only asked about shares ?—We gave as we considered all the information which could possibly be given. I draw that distinction, because from the first it appeared to me that there was a difference between the view which the Government of India took, and the view which I, at the time took, regarding the amount of information which could be given, in the form required by the Government of India, while the bank was active and existing as a bank still doing business.

6492. Did you at this early period object to give an answer to these other six questions ?—It did not occur to me at the time when this letter was received; it struck me that the Government of India had asked for more than it was possible to give while the bank was doing business, but I felt no doubt that the very full information which it seemed to me that we had given to the Secretary of State, and which was contained in the Report of the Government directors, would satisfy the Government of India, as far as it was possible, and that if we did not satisfy them we should have an immediate reply, pointing out what further was required.

6493. Let us turn to these two letters and see what information they really did give to the Governor-General. Take first the Government directors' Report. You remark at the bottom of page 5 the words, "The directors considered that the above measure would entail little or no risk, and would afford much relief at a time of considerable pressure. A total sum of 41,70,800 rupees was advanced on the security of the following shares, 39 Back Bay shares, value at par 1,95,500 rupees," and so on. Did you not know better than that, and that that was inaccurate ?—How do you mean "know better"?

6494. Had you not a letter in writing from the secretary of the bank before you, telling you that more had been advanced at that time ?—Certainly not. Do I understand the question aright ? Does it mean that at the time when we were satisfied with the information given in paragraph 4 we had reason to know that the information was inaccurate ?

6495. Yes.—Certainly not.

6496. Did not you receive that letter on the 11th May 1865 from Mr. Chapman, and did it not inclose this letter from Mr. Robertson (*handing Exhibit A. 155 to the witness*) ?—Mr. Robertson says, "Besides the above we hold a considerable number of Back Bay shares, which we took into safe custody from those names who have large loans from the bank on personal security, men such as Byramjee Hormusjee Cama, Cursetjee Furdoonjee, and Kursondass Madhowdass. These loans were not nominally granted on shares, but it was thought well to have some security collaterally, independent of their personal standing. Several of these large loans Premchund tells me will be paid up very soon" ?—I certainly did not understand that that involved any inaccuracy in the information received.

6497. It amounts to this; that there were 80 Back Bay shares of Kursondass Madhowdass, and that there were others, making the whole number 154 Back Bay shares instead of 39 ?—That is apparent now; the question is, what would have been apparent then.

6498. I think that it was apparent then. Mr. Robertson's letter shows it to you. The shares were taken upon the express understanding that they were to be security for those loans ?—Yes, but the loans had been given on other security.

6499. But the money was advanced upon the security of those shares?—That was not apparent to us at the time, and I feel sure that it never struck Mr. Chapman in that way.

6500. He could not explain it, certainly, when we asked him about it. Here is Mr. Robertson's letter which shows the practice, and that there were other shares?—I daresay that they had been doing it, but we had no reason whatever, so far as I can see, to believe that the official statement in paragraph 4 of the Government directors' Report of the 30th June 1865 was inaccurate.

6501. I do not suppose that you deliberately misstated the thing, but was not that letter sufficient to have put you on inquiry, and ought you not to have discovered the real state of the thing?—That is a matter of opinion. There are a great many things (this is not the only one) which I ought to have known, if I had taken more pains to inquire.

6502. Again, the Government directors say, "The above shares were taken as collateral security." I want to know exactly what you understand by that. You repeat it in your letter to the Secretary of State, I think?—I thought that I had explained it before, namely, that there seemed to me to be a substantial difference between advances when the shares were original security, and advances when they were collateral security. A large loan is due from a man to whom money has been advanced, and you become anxious for the payment of your loan, and believing that you will improve your security, you take over the shares.

6503. That would have been better expressed by the words "further security." Did you at that time ask yourself this question, to what the shares were collateral?—I understood it in the sense which I have explained.

6504. What was the security collateral to?—It was collateral to other security.

6505. Did you ever ask what security?—Certainly not. I was satisfied with the belief that these shares were taken as a further security upon money which had been advanced, and regarding the repayment of which the directors were getting anxious.

6506. Were you aware at that time that the directors were in the habit of advancing sums of money to a single person upon a mere promissory note, without other security?—Certainly not.

6507. Then it is said in the Government directors' Report, "All advances of this description have for some time past been discontinued." What was your understanding of that expression?—The plain meaning deduced from it, namely, that advances of this description had for some time past been discontinued.

6508. Could you have understood that they had been discontinued for twenty days, and would that have satisfied you?—I cannot speak to the particular period.

6509. That is the explanation which we have received. We found that there were these advances on shares in May and June, and when we put that before the directors, they said that they meant that there had been none since the 10th of June?—My impression was that the warning which I had communicated to the Government directors, through Mr. Chapman, had led to the discontinuance of the practice.

6510. This Report of the Government directors was enclosed in a letter to the Secretary of State, that is at page 3 of the Blue Book. In the second paragraph you say, "A note showing the latest market value of the securities referred to is also annexed. There can be little doubt that their value will speedily improve, but to what extent no judgment can be formed till the present crisis is over." Upon what authority did you make that statement?—On the general impression that we had seen the worst of the crisis, and that matters must improve.

6511. In paragraph 4 it is stated, "You will observe that the current rumours as to the extent of advances on Back Bay shares were much exaggerated."—Yes.

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6512. With the light which you have now, was that the case?—I should say not; but the statement was made in all good faith, according to the best information which we had at the time.

6513. You say in the next paragraph, "We will reserve our opinion as to the conduct of the elected directors of the bank, till we are in possession of the more complete information regarding the management of the bank during the past year, which we expect will be supplied by the promised report of the Government directors, merely observing at present, that we do not find any evidence of undue favour shown to any particular interest in making these advances." What report do you refer to there?—I will see whether I can find that out.

6514. We have a report of the 31st of March 1866; that was not the one which you referred to, because it was made in reference to another letter of the Governor-General's.—Yes.

6515. Had you then the intention of complying with the request of the Governor-General in his letter of the 22nd of June 1865?—I think it probable that this report, which we forwarded, was one in reply to a call which we had made upon the letter of the Secretary of State, and that we expected a second report upon the letter from the Government of India, and that that is what we referred to; but that is a mere probability.

6516. You never obtained that report?—I think that there was a report, which we considered was equivalent to it, from Mr. Harrison.

6517. That was long afterwards; that was after your second report. I suspect that what was passing through your mind was that you did intend to answer that letter then. Then again look at paragraph 10 of the same despatch:—"At present all monetary affairs in Bombay are in such an uncertain state that it is not likely the Government directors will be able for another fortnight, or three weeks, to form any reliable estimate as to the probable ultimate losses which will fall on the bank."—Yes.

6518. That report seems never to have been made?—Not within a fortnight. I should mention that I have a very distinct recollection that at this time the crisis was so much prolonged beyond what anybody expected, that we put off from day to day pressing for reports as to what was the then value of securities, because we were assured that it was impossible to state what the ultimate out-turn was likely to be.

6519. My own impression, after a careful study of these papers is, that this letter of the 22nd of June was never answered, except by sending the Governor-General a copy of the letter of the 8th of July, and the enclosure of the report of the 30th of June.—Is the letter which was not answered dated the 29th of June?

6520. No, I refer to the letter of the 22nd of June of the Governor-General at page 2. That letter was never answered, except by sending to the Governor-General the letter to the Secretary of State of the 8th of July, enclosing in it the report of the 30th of June?—I will see whether I can find any answer.

6521. In your letter to the Secretary of State for India, at page 3, you say in paragraph 6:—"It is but justice to the present Government directors, Messrs. Chapman and Lushington, to note that they joined the bank direction only on the 8th March 1865, and that they were naturally at first obliged to rely much on the judgment and experience of their elected colleagues. We have reason to believe that they took an early opportunity of giving the weight of their influence at the board of directors to support the more prudent procedure which has lately characterized the management of the Bank?"—Yes.

6522. I have no doubt that they did attempt to do so at that time, but why should you say "the more prudent procedure which has lately characterized the management of the bank?"—Because we believed that there had been imprudent procedure before.

6523. Did you think that there was any great amendment—are you aware of any change in the system?—The change to which I refer was in this way; when Mr. Chapman became secretary to Government, and ex-officio director of the bank, I had a great deal of conversation with him on the bank question. He was new to the work, and had had no previous practical experience whatever to guide him. He was at that time living with Mr. Ellis, a member of Council, who had been, as I understood, an extremely efficient director of the bank in very safe times, and I recollect suggesting to Mr. Chapman that Mr. Ellis would give him excellent advice as to his duties as Government director. He then informed me of what I became aware of for the first time, that the old rules which Mr. Ellis had always, until he became a member of the Government, supposed to be still in force, namely, the byelaws of the bank, had been very much changed, and that they no longer afforded the same security which they did in Mr. Ellis's time. Upon that Mr. Chapman paid particular attention to his duties as bank director and informed himself, as far as he could, of what was going on. He communicated to me from time to time, and I felt a conviction that both he and Mr. Lushington were exerting themselves, and exerting themselves with effect, with the aid of the new directors. The directors had been very much changed in the preceding few months, and I felt that they had been exerting themselves with very good effect to introduce a new system of management.

Before we leave that subject, may I ask your attention to my letters (in what is called the confidential appendix) of the 10th of June and the 15th of June, to the Governor General, and to the postscript at page 8. "I write in this form to avoid, as far as possible, the risk of the very serious state of affairs becoming prematurely known, but you will, I trust, deal with what I have written as though it were officially before you. Mr. Ellis, the only other member of Government now in the country, has gone carefully into the question, and agrees with me that there is no other apparent means to prevent the bank stopping, and to avert the consequent public bankruptcy, but to advance in case of need to the extent and in the manner above described." I considered that in these letters I had put the Governor General in possession of a very considerable amount of information.

6524. This letter of the 15th of June is all about the currency, it does not answer his questions at all.—Possibly not, because there were many of those questions which it appeared to me could not be answered in the form in which the Governor General asked them.

6525. You did not answer the letter of the 22d of June, except by sending the letter to the Secretary of State and its enclosure?—Yes, and by writing in this form.

6526. But I do not see that it answered the questions. There is also paragraph 11 of the Secretary of State's letter to you of the 8th of September 1865, at page 8 of the Blue Book, "But above all, it should be the care of the Government directors to watch very closely the proceedings of the Bank, in order, so far as their influence extends, to prevent any repetition of imprudent management; and any disposition on the part of their colleagues to depart from sound principles should be forthwith communicated to you, in order that you may take such measures as may seem to you to be necessary in reference thereto."—Yes.

6527. Did you issue any instructions to the Government directors upon the receipt of that letter?—This letter came in the course of business into the hands of one of the Government directors; and I have no doubt that it was seen by the others. I cannot be sure of that.

6528. Did you issue any instructions to the Government directors on the receipt of that letter?—Not special instructions.

6529. Then comes the letter of the 13th of January 1866 to you at page 9, paragraph 4, in which the Governor General says, "The Governor General in Council, in giving sanction to the exceptional support thus accorded by the Government of Bombay, was actuated by the consideration of the novel and extraordinary impulse imparted to commercial enterprise during the preceding

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year, and of the confusion which had arisen from the sudden cessation and collapse of speculations which had been entered into without regard either to commercial prudence or responsibility. Under these circumstances the Governor-General in Council urged upon the Government of Bombay the expediency of immediately instituting an investigation into the affairs of the Bank, in my letter No. 958, dated 22d June last. But as the Government of India was subsequently assured, from a copy of a despatch addressed by your Government to the Secretary of State, No. 12, dated 8th July 1865, forwarded with your letter, No. 619, dated 10th July, that the liabilities of the Bank, though unusually large, were not likely to result in heavy loss, and that its difficulties were for the most part of a temporary character, his Excellency in Council was unwilling to press for an immediate inquiry, which might have given rise to unfounded alarm, and impaired the credit of the establishment. Six months have now elapsed since the critical state of the Bank called for the assistance of this Government as before mentioned, yet no substantial improvement seems to have taken place either in the condition of its affairs or its management, notwithstanding the great demand in Bombay;" and so on.

Then paragraph 10 is, "On a full consideration of all these circumstances, and with special advertence to the Secretary of State's financial despatch of 2d June," (that is the letter on the first page of the Blue Book,) "addressed to your Government, the Governor-General in Council is of opinion that an examination into the affairs of the Bank should no longer be delayed, with a view to such a revision of the terms upon which its business has been, and is conducted, as may seem expedient. The Governor-General in Council considers that the examination should comprise an investigation, not only into the assets and floating liabilities of the Bank, but into its transactions especially during the past six months. In conclusion, his Excellency in Council hopes that a full report on the several matters above referred to will be furnished by your Government without unnecessary delay."—Yes.

6530. Shortly after that you received another letter from the Government of India which is at page 10 of the Blue Book, and paragraph 4 of which is as follows, "I am desired strongly to recommend to his Excellency the Governor the adoption of similar vigilance in regard to the affairs of the Bank of Bombay, and to remark that, in the opinion of the Governor-General in Council, the pursuance of such a course would effectually check the recurrence of difficulties similar to those under which the Bank of Bombay has been lately struggling. Loans and other banking business would be more cautiously conducted; the purchase of bills on Calcutta would not be sanctioned when, as in a late case, every available rupee in the bank was necessary to meet local demands; and lastly, the interest and control of the local government in the financial affairs of the Presidency would be advisedly increased to the general advantage of the State." Did you on the receipt of that letter issue any orders to the Government directors?—I have no recollection of any, beyond communicating these letters.

6531. Will you now turn to the report of the Government directors of the 31st of March 1866, in answer to this inquiry? The Governor General writes on the 13th of January, and on the 31st of March, at page 30, you will find the report of the Government directors on the bank.—Yes.

6532. It appears from another minute of yours to which I have not referred that you seemed to understand the Government of India as charging the Bank of Bombay with having produced the crisis of December; I do not see that.—Such was my understanding certainly at the time.

6533. At the end of paragraph 4 of the report of the 31st of March 1866 you will find the following statement, "The bank was at this epoch in no difficulty as regards its own affairs;" did not that strike you as a very strong statement?—No, it appeared to me to be borne out by the facts which were stated, that if the Government business connected with the currency had been prudently conducted, the bank itself would have been in no difficulty.

6534. The currency business is another matter. If you will look at the next paragraph but two, you will see that it says that the bank "employed its capital

in a very imprudent manner, and instead of having it available in the hour of need, the great bulk of it was locked up in loans and advances to parties from whom it was hopeless to expect punctual payment." That is quite true.

6535. Again at paragraph 14 it is stated, "On a careful review of the whole circumstances, we have come to the conclusion that the currency crisis in December last was in no way attributable to the bank or its management." (I cannot see that the Governor General ever said that it was.) "In expressing this opinion we must add, that although the position of the bank on this occasion was not one of danger as regards itself, yet it was not as strong as either the Government, or the public, had a right to expect." Then it goes on to say "It ought not only to have been in a position of unquestionable security as regards its own affairs, but to have been able to render material and direct aid to the Government. That it was not able to do so was owing to the greater portion of its capital being unavailable in consequence of the imprudence that characterized the management prior to April last, and not in consequence of anything that subsequently took place."—Yes.

6536. I think that those statements themselves almost contradict the statement that "the bank was at this epoch in no difficulty as regards its own affairs." At that very moment, the 31st of March, I should say that more than half the capital was lost.—They were speaking of December.

6537. I do not think that you are answerable for the Government directors' reports, but I only ask you whether it did not strike you, in forwarding this report, that there was a discrepancy from the statement that the bank was in no difficulty as regarded it's own affairs?—No; my impression was that the bank could just pay it's way and no more.

6538. Were not you aware that the great bulk of the bank's capital "was locked up in loans and advances to parties from whom it was hopeless to expect punctual payment"?—Yes; that was the reason why the bank could not aid a large customer like the Government when it wanted assistance.

6539. The report goes on to speak, in paragraphs 6 and 7, of the reckless conduct of the directors previously to April 1865?—Yes.

6540. It says that the consequence was that the great bulk of the capital was locked up?—Yes.

6541. These statements were general and vague, but very strong. Did not you think that that was a sort of case which required some independent searching inquiry?—Decidedly; I was always of that opinion.

6542. At that time?—At that time. I considered that a most searching enquiry was required. There were two points which occurred to me upon it, namely, as to the time and as to the agency. As to the time, it appeared to me that we should only make matters much worse by attempting to make at that time such an enquiry as you have now made, into the way in which the money of the bank had been employed, and as to the agency, I felt quite convinced that we had not in Bombay the means of making a thorough and satisfactory enquiry—an inquiry which would satisfy the shareholders and satisfy the Government. I mean as a permanent and final report.

6543. Directly that the Governor General gets that statement, if you will look to pages 28 and 29 of the Blue Book you will see the view which he takes of it, he says in his letter of the 13th of July:—"The embarrassments of the bank are wholly attributable to abuse of powers which ought not to have been conferred upon it by charter, and which are not possessed by the banks of Bengal and Madras. The Government of Bombay proposes immediately to remedy this grievous error by a legislative enactment, and this, with the recent removal by the Secretary of State of the restrictions on the qualifications for direction, which unduly narrowed the field of selection for that office, will, it is hoped, ensure sounder management in the future. But the Governor General in Council observes with regret, that notwithstanding the discontinuance by the bank, for the last ten months, of business of an objectionable character, it has not yet retrieved its position, and that the recurrence

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of a commercial crisis has rendered it necessary for the Government of Bombay to come forward with renewed promises of aid in a telegram to the Accountant General, to the following effect: 'If need require, Government authorize you to support the bank with all Government balances and other available resources.'

The Governor General in Council, though fully sharing in the desire of the Bombay Government to uphold the credit of the Bank, cannot suffer the revenues of India to be indefinitely pledged to the support of an establishment of the affairs of which he is kept in ignorance. The information furnished by the report of the directors contains little more than is to be found in the general statements of assets and liabilities published in the newspapers. That there may be no further misapprehension on this subject, the statement which his Excellency the Governor General in Council requires is comprised in the following particulars:—1. The banks, firms, and individuals to which the bank is under advances. 2. The dates and amounts of such advances. 3. The securities upon which they have been made, and the sums advanced upon each security." (He demands a minute inquiry.)

Then he goes on in paragraph 16 to say, "The bank should have no hesitation in furnishing these particulars, which, having regard to the peculiar circumstances at present affecting the relations of the Government of India and the bank, his Excellency the Governor General in Council is bound to demand." That is the view which he took of the matter?—Yes.

6544. It does not seem to be the view which you took of it. I wish you to explain that.—There were two reasons why I did not consider that we could immediately comply with his call.

6545. I am asking you why, when you got this report of the 31st of March, you did not institute an inquiry which I am quite sure would have frightened you in an hour?—Very possibly, if I had had nothing else to do than to go down to the bank.

6546. I did not mean to say that you yourself would have gone down, but that some really independent party should have done so?—I can only say that I looked about me on every side, and I could see nobody who was likely to do better than the Government directors and the then directors of the bank were doing, either to work the bank as it then stood, or to let us know when the time for a more searching inquiry came as to the exact losses, and the causes of them.

6547. Did it not strike you that it would be advantageous to have some outsider to look into that matter?—You will find that I mentioned that point in a letter to the Governor General. I got some excellent advice upon the subject from a perfectly independent gentleman, in a letter from Mr. Ralli, a very eminent Greek merchant, and he suggested the appointment of three competent independent gentlemen.

6548. That will come afterwards. I want you to confine yourself to the report of the 31st of March. I find that you wrote a minute upon that on the 29th of May 1866, which is at page 41. Look at paragraph 5. You there say "the first question that suggests itself as regards that period" (that is a period ending in April 1865) "is whether any of the ex-directors of 1864 and 1865 can be individually held responsible to Government for the bad management of the bank during that period; and here I confess I cannot see my way to any practical action. Whatever opinions we may form, either of the general management of the bank, or of the conduct of individuals, I find nothing tangible in the shape of impropriety, or illegality, which we could charge against the collective body; and, if we had, I do not see how we could fix the responsibility for it, either on the Government directors as a body, or on any one of them."

I would ask upon that whether it did not strike you that a further and more minute inquiry by some persons outside the bank itself would have detected both the impropriety and the illegality?—I had no doubt that a very searching inquiry made by persons outside the bank, with powers such as you now possess, would have elicited the entire truth; but by any sort of inquiry for which we had the means at the time, I did not see that anything could be done to fix the responsibility according to the information which I then had.

6549. Do you not think that it was taking rather a narrow view of the matter to say that the first question was as to fixing the responsibilty on certain directors, was not there a very grave question as to the solvency of the bank?—I had not a doubt at that time that the bank was perfectly solvent; I was perfectly satisfied in my own mind with the estimates which we then had of the probable losses.

6550. Notwithstanding the strong language of paragraphs 6, 7, and 14 f the Government directors report?—They seemed to me to point to resources being locked up and requiring a long time to realize, but I felt that each of these successive reports, as they came in, told us the worst which we could then know, by any enquiry which we had the means at our command of making.

6551. Did it not in plain language tell you that these directors had been guilty of most extraordinary and most reckless conduct (the language which is used), and did not the propriety of some investigation as to that matter strike you?—Certainly. I never doubted that when the time came, and when the agency came, inquiry ought to be made.

6552. Looking through this minute I do not find another thing which I am surprised never struck you. Was not the conduct of the secretaries very important?—Which secretaries?

6553. Both of them; Mr. Blair and Mr. Robertson?—Certainly; at that time I had a considerable distrust of Mr. Blair's judgment and management; but I had the fullest belief in Mr. Robertson's soundness, and that he was doing his best, and had done his best. Till a period very long subsequent to this, I had not the slightest reason to suspect either of the secretaries of having forgotten what was due to the bank, or of having done less than his best, according to his ability, for the bank while he was secretary.

6554. Did not the statements in paragraphs 6, 7, and 14 of the report lead you to think that the system must be very wrong, which would allow such a state of things?—Certainly.

6555. Then surely some inquiry into that system, and how far it was carried on, would have been useful, would it not?—I can only ask the Commission to consider that when you are in the height of a storm, it is not the time to enquire whether the captain was wise in putting to sea, or whether some better seamanship might not have avoided the ship getting into danger. During the whole of the period to which this correspondence refers, the bank was in almost daily danger of breaking down altogether, and in the belief that that was as great a calamity as could be added to those which had already overtaken the place, I considered that our chief business was to do our best to keep the bank active as a bank, and I never gave up the hope of being able to do so until just as I was leaving Bombay.

6556. That is just my opinion; that you were really too sanguine and tried to put the best face on matters too long?—It is quite possible. I can only say that I was convinced at the time that we had in the reports before us the worst which could be said of the bank, especially the report of Mr. Hunter and Mr. Harrison. There is a question connected with what the Government directors might have done, and I wish to draw your attention to the minute of Colonel Marriott. He was not a professional banker, but he had written an excellent pamphlet on the subject in the worst time of the Bombay speculation; and he seemed to me to be a man upon whom we could thoroughly rely as a man of judgment, and we put him in, but we were obliged to allow him to be superseded by an officer of whom at the time we knew nothing. I mention that merely to show that, when we did see a good man available, we did our best to get hold of him.

6557. I will call your attention to paragraph 9 of your minute, at page 42, "With the management of the bank during the difficulties between April and July 1865, I am not aware that any particular fault has been found; the course pursued by the bank was prudent and forbearing." That strikes one as a most extraordinary statement. On the 12th of April 1865, the directors passed the resolution to lend on shares which you have been yourself so much

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condemning.—I should have excepted that. I should probably have said "between May and June."

6558. Were you not aware that between April and July the loans upon promissory notes alone were still continued?—Certainly not. At the time when I wrote this minute, I believed that a very prudent course of management had been commenced.

6559. You were not aware that during that very time loans still continued to be made upon shares?—With the exception of what I have learned since the Commission has sat, I was not aware of it.

6560. Then you say "A period of respite followed between July and the crisis in November and December last, and it is objected by the Government of India to the bank's management that the bank did not gather up its resources," and so on. Then you say, at the beginning of paragraph 12, "Upon the whole, I think the bank must be acquitted of any charge of mismanagement during the period in question." Are you aware that the prices of shares rose very much in August and September 1865?—I do not recollect any particular rise. We were during all that period under the impression that better times were coming, and that we had seen the worst of the crisis.

6561. Were you aware that the secretary was pressed to realize those securities, and that if he had done so the bank might then have got out with much less loss?—Certainly not. I watched the state of the market with great anxiety, and, upon the whole, my impression was that there was reason to hope that the worst of the crisis was over, and that it was wise not to press more than the bank could help, which I understood was generally the policy of the banks.

6562. Did it not occur to you that one reason for that policy might be that the secretaries and directors of banks held shares themselves largely, and did not wish to glut the market?—I had no knowledge of the kind, and I had no suspicion of it.

6563. With respect to the policy of forbearance, I suppose that you read the report of the Government directors of the 31st of March 1866 with very great care?—Yes.

6564. You remark that they say that 321 lacs were outstanding in June?—Yes.

6565. Then they say that 79 lacs were realized, and that 126 lacs were overdue. Did you inquire what had become of the other 116 lacs?—No.

6566. If that had been inquired into you would have found that those 116 lacs had been renewed, and that a large portion of them, though nominally current, were very much in the same position as if they had been overdue, that they were renewed over and over again, and that payment could not be got. You did not inquire as to the remaining 116 lacs, and under what circumstances they were renewed?—No, it did not strike me that there was a necessity for it.

6567. Again, at paragraph 20 of that report, at page 32, the Government directors say, "And we have reason to believe that the directors would have no objection to its being expunged," (that is, the power to advance upon shares) "as for the last ten months this power has never been made use of." Did you inquire at all upon what authority the Government directors made these statements?—No. I concluded that they made them from the knowledge which they acquired in the bank.

6568. It did not occur to you to ask whether they had just gone to the secretary, and had got the information from him?—I made no inquiry about it, I relied upon the impression that they would make the best inquiry which they could.

6569. Can you explain why this report, which is dated 31st of March 1866, was not sent to the Governor-General until the 16th of June. He had sent four reminders for it at different times. On the 19th of June he says, "Meanwhile his Excellency in Council awaits with anxiety the long expected report

on the affairs of the bank." The transmission of the report was delayed until the 16th of June. Considering that he had had no answer to his first letter, how is it that there was such very great delay in sending this information to the Governor-General ?—The cause is traceable from the endorsements upon the original papers. I could not speak as to that.

6570. The report is dated the 31st of March 1866, your minute upon it is on the 29th of May, then there is a minute by Mr. Ellis, dated the 11th of June ?—Yes.

6571. And then it does not go off till the 16th ; there was a very considerable delay in the forwarding of that letter, was there not ?—I think not an unusual delay, considering the magnitude of the question involved, and the necessity for deliberation and writing upon it.

6572. We now come to another application by the Governor-General to you for information with respect to Mr. Brown's release. The letter of the Governor-General as to that release is dated the 10th of February 1866, you will find it at page 113 of the Blue Book. " Sir, I am directed to state that the Government of India has been furnished with a copy of a letter dated 23d January 1866, from the secretary of the Bank of Bombay to the Government directors of the bank, relating to Mr. F. L. Brown's release, but that the information therein contained is not sufficient. The Governor-General in Council desires to be informed precisely what securities were offered by Mr. F. L. Brown, and accepted by the bank; what was their par value and their market value at the time the loan was made to Mr. Brown ; at what rate they were then valued by the bank, also what is their present value. Further, the Government desire to know what will be the precise loss on the bank's transactions with Mr. Brown. I have, &c., (signed) E. H. Lushington, Secretary to the Government of India. Fort William, 10th February 1866."

It appears that the report furnished was dated 10th March 1866, and was not sent to the Government of India till the 16th March 1867, between 12 and 13 months after the inquiry ?—That delay struck me, and I can only speak to the best of my recollection as to the reason of the delay. It was, as far as I recollect, this,—this case of Mr. Brown had attracted my attention before we heard from the Government of India upon the subject, and I had directed inquiry to be made as to the reason of his release, when we received the call from the Government of India. I think that we were under the impression that the Government of India had also written to the Accountant-General or was in other ways making inquiry on the subject, but I kept those papers by me in my own office for some time, in the expectation of seeing an opening for further inquiry. The utmost that we could get at the time was that Mr. Brown had been pressed as far as there appeared any prospect of getting anything out of him, and that he had been let off instead of being further pushed. That seemed to me a most unsatisfactory conclusion, and I recollect hearing, in a very casual, gossiping manner, that there were reasons which had induced some of the other creditors of Mr. Brown to be more than usually forbearing in his case. I thought it possible that we might obtain some information on the subject, and I kept those papers much longer than I otherwise should have done.

6573. It is clear, as a matter of fact, that the letter was not sent until the 16th of March 1867.—Certainly ; but I believe that in that case the blame of the delay rests entirely with me, as far as I can judge. The papers were with me the whole time.

6574. Did you look at the tabular statement which was prepared on that occasion ? Did you examine it at all carefully ?—In what respect ?

6575. Did it not strike you as very singular that not a single date was given in an important paper like that ?—Yes ; it struck me as most unsatisfactory.

6576. Then if such was the case, why did not you have more particulars given ?—I inquired what more could be learned about it, and I was answered that these very meagre facts were all which could be ascertained.

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6577. The absence of dates did not strike you as a suspicious matter in a document coming from business men, about a matter of business?—No, certainly not.

6578. The gossiping information which you say you had with regard to Mr. Brown's loans, I suppose, was the same which we have had, namely, that numerous bank managers were under obligations to him, and for that reason they wished to let him pass as quickly as possible, and did not wish to have any exposure?—Yes; that he was merely a cloak to others, and they did not wish him to be personally pressed. No names were mentioned to me.

6579. I must next call your attention to the Governor General's letter of the 13th of July 1866, and to paragraphs 15 and 16 of that letter at pages 28 and 29 of the Blue Book. You will find that he demanded three things. It is said, "That there may be no further misapprehension on this subject, the statement which his Excellency the Governor General in Council requires, is comprised in the following particulars:—1. The banks, firms, and individuals to which the bank is under advances. 2. The dates and amounts of such advances. 3. The securities upon which they have been made, and the sums advanced upon each security. The bank should have no hesitation in furnishing these particulars, which, having regard to the peculiar circumstances at present affecting the relations of the Government of India and the bank, his Excellency the Governor General in Council is bound to demand." What did you do on the receipt of that letter?—Do not the papers give information.

6580. No, not until the 22d of October. We find no papers, except four reminders from the Governor-General that you had not answered his questions, namely, on the 23d of August, the 13th of September, the 3d of October, and the 26th of October. Can you recollect what you did?—Unless I can see the original papers I cannot tell exactly.

6581. Will you look at page 57 of the Blue Book? Here is the first reminder of the Governor General, that is when he had received information that the losses of the bank were 850,000*l.* In paragraph 3 of that letter, he says, "In the absence of a sufficiently detailed explanation of the affairs of the bank, as required by my letter of the 13th July last, the Governor General in Council is unable to form any opinion how far the directors were justified in taking such a sanguine view of their position at the end of March, and in impressing on this Government at that time, that the losses of the bank were likely to be limited to so small an amount compared with that now disclosed in the half-yearly statement. The wide difference between these losses, combined with the very meagre particulars contained in the half-yearly report above noticed, justify the entertainment of grave doubts whether the position of the bank has even yet been stated as faithfully as the Government, in common with other shareholders, have a right to require. Until the Government of India are in possession of the particulars required in the 15th paragraph of my letter of July 13th, the Governor General in Council will not be in a position to form a sound opinion of the position of the bank, or to arrive at any conclusion as to the future maintenance of a connexion between the Government and the bank."

Then again, on the 13th September, he says, "With reference to my letters, dated the 13th July and 23d August 1866, I am desired to inquire when Government may expect the information therein required, relative to the position of the Bombay Bank."

Then again, on the 3d of October, you will see at page 60, where he is speaking of something else which I am coming to by-and-by, that he says, "The wide discrepancy between these several estimates, framed during a period not exceeding six months, renders it more than ever necessary to insist upon the production of the detailed information which the Government of India called for in the 15th paragraph of their despatch to Bombay, dated 13th of July last, No. 1456, but which, notwithstanding repeated reminders, has not yet been furnished. The Governor General in Council, however, does not feel called on to publish the report of the Committee. It is for the directors to afford their constituents such information as to the position of the bank as the latter may be entitled to expect. But it is the duty of the Government of

India, as the largest shareholder in the bank, and as trustee of the Treasury balances in their custody, to require that the fully and unreserved exposition of their affairs, so repeatedly demanded, shall no longer be withheld."

Then again, on the 26th of October the Governor General says, "Under any circumstances a new arrangement must then be made for the Currency Department, according to the plan now in force in Bengal. But before entering into any consideration for the disposal of the business of the general Treasury, it is absolutely necessary not only that the Government of India should be in possession of the statement of the precise position of the affairs of the Bank of Bombay, which has been so repeatedly called for, but also that the Governor General in Council should have time to consider the new bill," and so on.

So that you see that there were four distinct reminders. I want to know what you were doing during all that time, between the 13th of July and the 22d of October, when you did write a letter, which we have not been able to get hold of, to the Governor General?—During that time this report from Mr. Harrison's Committee was made.

6582. I am prepared to take up that report. I am not going to avoid that subject; I am going fully into it by-and-by; but I want to know what answer was given to the Governor General's letter of the 13th of July?—I do not find any answer to it.

6583. Were you willing to afford that information?—Unquestionably.

6584. Then I am to understand that you did not object to furnish that information?—Not to have it furnished at the bank. What struck me in all these letters of the Government of India as a most unaccountable procedure on their part, was putting their questions in a way which apparently could only be answered by sending all the books of the bank up to Simla.

6585. Surely the replies to those three questions could have been furnished in a tabular statement, only perhaps double or treble the length of what you did send at page 96?—I would only ask you to consider the time which this statement took to prepare, and how very unsatisfactory it was after all. This was only a part of the information which was required.

6586. But it was unsatisfactory because it was a part?—Undoubtedly, that was one of the points in which it was unsatisfactory, but the requisition of the Government of India, if it had been literally fulfilled, seemed to me an utter impossibility as long as the bank was carrying on it's business.

6587. Did anybody object, except yourself and the Government, to the production of those returns?—Certainly not, because we put off making the demand on the bank for the information in that particular form till we could see our way to getting it without bringing down the bank at once.

6588. Was it impossible to communicate privately to the Governor-General of India such information?—I do not see how it could have been obtained. He asks for "the banks, firms, and individuals to which the bank is under advances." That would have involved a statement to be copied out and sent up to Simla of the whole business of the bank.

6589. No, it would only have contained a list of all advances. It would probably have been three or four times the length of that which you have put out, but that is all. There was such a statement made out afterwards on the 30th of June.—In what year?

6590. (*Major Innes.*) Periodically such a statement was in existence on the 30th of June?—All those periodical statements were sent to the Government of India as regularly as they were sent to us.

6591. (*President.*) Not in details?—Then I consider that the Government of India should have been more explicit in what they asked for.

6592. I cannot conceive of anything more explicit. You have only to make a list of the names, and dates, and amounts of the advances, and then there is another table of the securities upon which they have been made, and the sums advanced upon each security. There would have been six or seven headings of a tabular statement?—It seemed to me, as far as I could judge from what knowledge I had of the subject, that this was a statement which could not possibly have been given from the bank, while the bank was doing business.

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6593. I suppose that that is the same proposition as was put to me the other day by Mr. Claude Erskine. He said that it would have been disloyal. Do you adopt that expression?—Certainly not.

6594. How do you believe that it would have been prejudicial to the bank? —It seemed to me that it would be suicidal.

6595. If it had been diffused to the public, it might have been. If the secretary had only the ordinary intelligence of a man, he could have prepared that statement in a day, especially if he had the outstandings book, which he tells us that he had.—That was not the impression which I had at the time.

6596. Did you write a letter to the bank, and ask them whether they could furnish that information?—No, I felt convinced that if at that time we had asked for this information, and had pressed that this information should be sent to the Government of India, there would at that moment have been an end of the Bank of Bombay altogether.

6597. I believe that good would have been done by disclosing that they were perfectly insolvent.—That appears now. We had at the time reason to believe that although the bank had suffered heavy losses it was solvent, and that under the more careful management which we were satisfied was then being exercised, it might recover, and avoid all the evils of an immediate stoppage. I felt at the time that if we had frankly put this demand before the directors they would have resigned in a body, and that every firm which could do so, would have withdrawn its balances, and the bank would have come to a stop at once.

6598. On what grounds should you have thought that?—On the grounds that the whole business of the bank would have been sent across to a distant authority, without the possibility of taking any precautions as to the information not being made an improper use of. I ask you to consider the case of a bank, say in Dublin, sending such information to London. This information I would beg to state I consider perfectly legitimate for Government to ask for, or for any shareholder to ask for, within the bank itself. My objection was, and is, simply to supposing that anybody can call upon a large shareholder in the bank to make use of that shareholder's position to send such information as this, to an external authority, while the bank is pretending to do business.

6599. Could not you have secured freedom from publicity if you had sent the tabular statement privately and confidentially to the Governor-General?— I believe not. The Commission will see the amount which I took the trouble of writing with my own hand to the Governor-General, because I was convinced that in no other way was it possible to ensure confidence being observed.

6600. We will assume, for the purpose of argument, that you could not possibly have communicated the information privately to the Governor-General?—I do not say that it was impossible, but that there would have been a very serious risk; such a risk as, if I had been a merchant, would have induced me instantly to have withdrawn my balance from a bank which permitted such a thing.

6601. Supposing that the information as to these advances had been prepared in this way, disclosing the names of all persons whose bills were overdue alone, there would have been no impropriety in that, would there?—I have no doubt that we might have got a great deal of useful information.

6602. Would there have been any impropriety in sending a list of all advances overdue, mentioning the names of the parties?—I conceive that there would. I am not a banker, but I consider that there is a clear and unmistakeable distinction between what you may do as a banker doing business, and encouraging people to entrust their affairs to you, and that which you have a right to do when you are investigating the affairs of an insolvent company; that in one case you may very properly bring all these things forward, and that in the other case you are bound to take due care that they are not imprudently published.

6603. Either the bank was solvent or it was not?—Certainly.

6604. If it was solvent what harm would such a tabular statement have done?—It would have destroyed all confidence in the management of the bank. Had I been a director of the bank myself, and had I been asked to give such a statement, I should have said, "If you require such a statement I must cease to be a director."

6605. Why?—Because I am professing that as a banker I am keeping the accounts of these people, and that I am taking due care to prevent their being made public.

6606. But has not a shareholder a right to know the affairs of the bank when they have got into such a mess as this?—At the bank certainly.

6607. But anywhere, when there is 1,190,000*l.* of losses, has he not such a right?—I consider that his right consists in going to a meeting of the bank, and insisting upon any information which the bank can give him at the bank, that is while the bank is doing business.

6608. But as I understand you, you were representing the Government, and not the bank?—Certainly.

6609. Was not it your duty to try and get such information as you could?—Certainly.

6610. The bank made no objection to produce this account. When the Governor-General of India wanted to get these statements, and pressed for them (and their importance cannot be exaggerated), why did you not carry out his instructions?—For the reasons which I have given.

6611. Because you felt for the bank?—Because I felt for the honour of the Government. I did not consider that a Government could with honour make a demand which individual members of that Government would feel that they broke trust if they complied with.

6612. How could they break any trust? It would be for the bank to refuse information, and not for you to suggest that the bank would refuse it, or that you would not ask for it; there would surely be no harm in seeking to get the information?—There is harm, I believe, in making a demand which ought not to be complied with. I would ask you to read what I wrote on the 22nd of June to the Governor-General. You will find it at page 20 of the Confidential Appendix. (*Exhibit A* 188.) On the 22nd of June 1866 I said to him, "You ought ere this to have received a great mass of official papers about the bank, and my letter of the 15th will have briefly stated how we stand, and what are my own views. I really do not know what more we can send you, but if you will specify the information you require it shall be sent. You can have daily returns of the bank's state, such as we ourselves receive by post. But reaching you by post at least a week or more after date, they will be of no practical use to enable you to advise, assist, or control our bank management. A run would have broken the bank, or been successfully met, before the letter was half way to you."

6613. The Governor General specified what he wanted, and he wrote you four reminders, each stronger than the other, saying, "I want this information," and instead of applying to the bank for that information you chose to assume that the bank would not give it; I doubt whether they would have refused to give it?—Had I been a director I should have said, "I am ready to do my best to make any inquiry you please within the bank, but while I call myself a director of this bank, and while I encourage people to bring as much business as they can to it, I will not be a party to sending these details away, when it is not known what use will be made of them."

6614. It strikes me that there is a great fallacy in that; that is to say, in your putting yourself into the position of a director of the bank, whereas you were in the position of a shareholder.—My feeling was that an inquiry of that sort ought to be deferred until we could obtain the means of making it in the bank itself, or that it should be deferred till after the bank had come to a stop, and it could be made by outsiders. That was the view which I repeatedly pressed upon the Governor General, it was suggested upon more than one of the Committees of Inquiry, namely, that any further inquiry

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should be made by an outside authority; and I did the best that I could to induce the Governor General to send such an authority to inquire into the bank's position.

6615. It appears that you did write a letter on the 22d of October; that was the first letter which you wrote to the Governor General after the third reminder. Can you say how it comes to pass that this letter of yours of the 22nd of October, which we are told contained your reasons for refusing this information, is omitted from both the Blue Book, and the Confidential Appendix?—I am not aware what letter you refer to.

6616. It is a letter of the 22d of October. I understand that in that letter you stated your reasons for objecting to the production of this information?—Very possibly.

6617. Were those objections the same in substance as you have urged before us?—I cannot say how far they were a full statement of what I have now urged without having the letter before me. I cannot say why it is not before you, but all that I can state is, that in so much as I was able to write officially, and in what I wrote demi-officially to the Governor General, I stated the matter as clearly as I could. Looking over the letters now, I think that I might have made my case stronger and more intelligible, but I did my best to place before him the difficulty which we were under. It appeared to me that the same authorities could not have been reading and considering my private letters and these official letters; otherwise it seemed to me inexplicable that all that I urged should have remained unnoticed.

6618. It is quite clear therefore, from that letter, though I could not manage to get the fact from Mr. Claude Erskine, that the figured statement which we find at page 96 was meant by you to be a substitute, as far as it went, for the information which the Governor General required?—It was meant to give the Governor General some information of the kind which he required. I did not expect that it would be considered as finally satisfactory.

6619. What was your real object in not giving that information? Was it really simply the feeling that you hoped that the bank would come round, and that then all this would be unnecessary, or what?—No, we always intended that every information of this kind should be given as soon as we were in smooth water, and as soon as we had the means of getting at the truth. The Commission has found how difficult it is really to get at the bottom of these transactions. I had no suspicion at the time that matters were as bad as they have turned out to be, but I saw quite enough to assure me that it was very improbable that we should get what I could feel was a finally satisfactory statement on the subject, and I had the feeling, that to make the demand then upon overworked directors, who were doing their best to bring the bank round, could only end in their all throwing up.

6620. I assure you that that list of outstandings was actually made by that time, and was before the directors, and only had to be copied, and the current bills had to be added to it. I do not think that it would have taken two days of Mr. Robertson's time to have written it with his own hand.—If I had been aware of that fact at the time, I possibly should have put the question direct, but it would not have affected my objection to sending away this information while the bank was still encouraging customers to send business to it.

6621. I will now come to the tabular statement at page 96. Did you in any way consider the heading of that tabular statement? We have found out that it is the production of Mr. Claude Erskine; but did you ever consider that heading, and how skilfully it was framed, so as to exclude almost all valuable information up to that date?—No; the intention with which it was framed was to give as much information as could be given bearing on these points.

6622. In the first place the names were not given?—They were intentionally not given.

6623. Was there any disloyalty to a customer in not concealing his name when he did not choose to pay his debts?—I consider that the effect of giving the name was not so much disloyalty to the non-paying customer, as suicidal to

the bank's expectation of being considered a trustworthy bank. The inability to pay debts, as we all know, may be temporary; it may occur to men of ample means, and especially at this time when nobody could be got to pay any debt without legal process, and legal process was very difficult to be enforced. The best men might be in very considerable temporary difficulties. I would ask you, supposing that under such circumstances, I do not say the bank of England, but one of the great banks in Liverpool or Glasgow were to send up a statement of all those people who were under advances, what would be thought among bankers of such a proceeding?

6624. I will put this case. Suppose that a bank in Liverpool was in the same position as the Bank of Bombay, and that the question was, "Shall we close our doors?" They would send up probably just such a statement as that to a first-rate man, either a first-rate lawyer or a first-rate actuary, or some person who could be relied upon afterwards, and could be cited as a good authority for the step which had been taken both to the shareholders and to others. Would there be any difficulty in sending such a statement of their position?—I speak of course with very little knowledge of what is the practice in such cases, but I imagine that what would be done, would be, to send such a statement as could be prepared without names.

6625. Even without names this tabular statement is confined to sums above three lacs, and as the Governor-General very properly says, at page 102, the sums below three lacs may aggregate to a great deal more than those above three lacs. Then the statement is not given up to date, but up to the 30th of June 1866, which was almost five months before?—Yes, but there is a reason for that.

6626. You only sent for it on the 24th of October, and it was sent back on the 23d of November?—But there was some special reason.

6627. I do not know when Mr. Claude Erskine drew that form, but you only sent for the statement on the 24th of October. Did you really consider what this tabular statement was? "Sums overdue on the 30th of June." You must have known at that time of Premchund's loan?—Yes.

6628. Did you look through it and see whether you could find Premchund's loan of 25 lacs there?—No, I did not look at it particularly. I will explain why I did not feel so uneasy about Premchund's loan.

6629. It is excluded, because it had not been overdue at the 30th of June, but at the date of this tabular statement he had gone into liquidation, and the same was the case with the Asiatic Bank.—This statement was not intended to be a complete answer.

6630. It was perfectly illusory, and gave no real idea of the position of the bank.—The aggregate gave me an impression that the bank was very much worse off than we had anticipated.

6631. As a summary of your evidence upon this correspondence, it appears to me, after looking through this correspondence with the Governor-General, that the first letter of the 22d of June 1865, making seven different inquiries, was never answered, except by sending a copy of your letter to the Secretary of State, and the Report of the Government directors upon one branch of that inquiry, namely, the advances on shares. Is not that so?—Apparently it is.

6632. The Governor General's second application of the 13th of January 1866 was not answered for more than five months?—Yes.

6633. His application with respect to Mr. Brown's loans was not answered for between 12 and 13 months?—Yes.

6634. This fourth application of the 13th of July 1866 was not answered at all, because you thought that you could not properly give the information. It was not answered at all, or it was answered by that very illusory statement at page 96?—With regard to all these non answers I have only to make the same remark, namely, that we had no intention whatever of withholding this information from the Government of India, but that we considered that the time and the machinery were not then available for answering them fully. I have set that forth very clearly, I think, in what I have stated to the Governor

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General in these letters, and I pointed out to him the way in which I thought that if he were disatisfied with what was already before him, he could get further information.

6685. I have come rather to the conclusion from that, that there was some disinclination on your part to comply with the Governor-General's requests. I may be wrong, and I should like to be disabused of that impression if I am so?—I can only speak of my anxiety to give the Governor-General every possible information which I thought could be afforded at the time, and by the means at my command, and had matters improved, as I hoped they would have improved, one of the first duties which I should have considered incumbent upon me would have been to have fulfilled his instructions to the letter, as far as I could.

6636. Casting about for reasons why you did not comply with the Governor General's request, I want to ask you two or three questions. Were you annoyed and anxious on that account to conceal, or not to divulge, the bad management of the bank?—Certainly not; I felt convinced that, when the inquiry which must come some day, was made, even my anticipations, which were then gloomy enough, would probably turn out to be less serious than the result. I had no sort of wish to evade compliance with the Governor-General's wishes for a most complete investigation. I only wished that the investigation should be deferred till it could be made without bringing down the bank at once, and with a chance of really getting at the truth. I could not give a better proof of the spirit in which I wished the inquiry to be made than by a dissent which I recorded upon the original instructions which were given to the Commission by the Secretary of State. In that dissent I pointed out that the original instructions which prohibited inquiry in this country could not possibly fulfil the object of a complete inquiry, and so it proved very shortly afterwards.

6637. There is one other ground which I wish to put to you—was this reticence on your part in any way attributable to annoyance at being interfered with in the management?—Not that I am aware of. I cannot give a better statement of the spirit in which I viewed these matters than by referring to almost the last letter which I wrote, and which is in the Confidential Appendix. (*Exhibit A* 188.)

Adjourned to Thursday the 10th December at 11 o'clock.

Thursday, 10th December 1868.

PRESENT :

President.

SIR CHARLES JACKSON.

Members.

Major McLEOD INNES.
MAXWELL MELVILL, Esq.

Secretary.

F. D. CHAUNTRELL, Esq.

SIR BARTLE FRERE further examined.

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6638. (*President.*) Are you prepared to produce the documents for which you were asked at the last sitting of the Commission?—Before entering upon that point, I would ask you to allow me to add something to the evidence which I gave to you at your last sitting on the subject of the delay in complying with the orders of the Government of India as to supplying information regarding the state of the bank. You concluded your examination by a sort of summary of your impressions, as I understood them, regarding the cause of the delay, and the numerous calls which had been made, and the way in which they had not been complied with, and by one or two questions which implied an impression that the information was not communicated owing to some pique, or want of desire to communicate it.

6639. It was not exactly that; but I was at a loss to know why it was not communicated, and two or three grounds suggested themselves to my mind. One was that you perhaps did not like to expose the bad management of the bank; and another was that you might be a little piqued at the interference.—I have made use of the interval since the last sitting, to look at the documents which have been printed, and which are otherwise before the Commission, and to endeavour to explain that point. I am under some difficulty, because, without the original papers which came before the Government of Bombay, it is extremely difficult to say why this was delayed, and why that was delayed, and why another thing was not done; and in merely taking the printed documents from the Blue Book, I am at a very great disadvantage in explaining delays, and also in explaining what was being done between the dates of these letters.

But I think that I shall be able to satisfy you from the documents themselves (as I have now looked over them) in a very few minutes, if you will allow me to go into the point, that the Government of Bombay wished to give the fullest possible information regarding the past history of the bank, and regarding its then existent condition; but that in the first place we did not think it possible to give that information in the way, and at the time, that it was called for by the Government of India, by sending the details of the bank's management away from the bank to the other side of India; that, secondly, we considered that an inquiry by external agency, and with further powers of investigation than we possessed, was absolutely necessary for this purpose; and that, thirdly, we did our best to explain this point to the Government of India, and that the delay was solely attributable to the unexpected prolongation of the commercial crisis.

I would ask the Commission first of all to look at the Blue Book, page 32, paragraph 18 in the Government Directors' Report, from which the Commission will see that as far back as the 31st of March 1866 these gentlemen, in whom we had at that time, and we have now, every reason to repose the fullest confidence, stated the matter distinctly in the following terms:—"If any investigation in addition to that recently made by the auditors appointed

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by the shareholders is deemed necessary, we would suggest that it be conducted by competent accountants, wholly unconnected with the past and present management" (it must be remembered that such accountants were not then to be found in Bombay), "especially if such investigation is to have for its object how far each individual director, whether official or elected, is responsible for the losses that have been sustained. We have reason to believe that the present directors would have no objection to this course being adopted solely for the information of Government, and that they court the fullest inquiry into the report of the auditors appointed by the shareholders." Now I would beg the Commission to observe that that was stated on the 31st of March 1866.

6640. By the Government directors?—By the Government directors; and that we implicitly and expressly concurred in that opinion, and that it was without unreasonable delay laid before the Secretary of State, and the Government of India.

6641. Where did you concur in it?—We laid it before the Government of India, with Mr. King's letter of the 16th of June 1866, which you will find at page 30. Among the accompaniments to that letter, along with this report, was my minute of the 29th of May 1866. The whole tenor of that minute, which is not a short one, is one of reference to this report.

6642. I have read it very often, but I do not at present recollect anything in which you endorse that suggestion.—I will come to that afterwards; but I would beg the Commission's attention particularly to that minute, from paragraph 19 to the end, in which I tried to picture as clearly as I could, the anomalous position, as I said, in which the Bank of Bombay was placed, with numerous governing powers, some on the spot, and some at a distance, and influenced in a great variety of ways. I would beg the careful attention of the Commission to that opinion which I gave, and more particularly to the practical results which are indicated by the facts in the last paragraph.

6643. That is all about the amalgamation?—Yes; but it is also to the effect that the account and financial departments should as speedily as possible come to the place where the mischief was going on, and where, as I have repeatedly laid before the Government of India in various forms, the money market is larger and more sensitive than in any other part of India.

I would ask the attention of the Commission also to the first paragraph of Mr. Ellis's minute of 11th June 1866, in which he says:—"The report of the official directors, Messrs. Chapman and Norman, seems to me to set forth clearly and fairly the causes which have led to the present position of the bank; and I would refer the Government of India, and Her Majesty's Secretary of State, to that report." Nothing could express more unqualified concurrence, I think, as to Mr. Ellis's opinion. These, I think, were the papers which Mr. Erskine did not see at length, before they were sent to the Government of India. I see that some questions have been addressed to Mr. Erskine on that subject, and I know that he was unable to account for his not having given an opinion upon it.

6644. He said that he had gone to Poona.—That was his impression, but I find that there is a minute, which is not in the Blue Book, which states that before he had time to go over this question, (it being one which would occupy some time,) the papers had been called for by telegram from the Government of India, which, I trust, will exonerate Mr. Erskine, at all events, from any want of care in giving an opinion on this important subject. There is another point to which I wish to allude. I would ask the particular attention of the Commission to page 58 of the Blue Book.

6645. That is the report of the Committee. That is the next point into which I am going.—I will revert to it afterwards if you will permit me; but I would only wish to place my statement succinctly before you. I should wish to condense as much as possible what I have to say on the very grave insinuation of our having either from temper, or from indisposition, neglected to do what the Government of India ordered us to do. I will not go into the details of that report, but I will only ask you to consider the circumstances under which it was made.

6646. We shall ask you fully as to that subject.—On the 8th of September 1866 these gentlemen reported, and I would ask you especially to note what

they say from the second to the fifth paragraphs of their report. They say, "We are of opinion that the statement affords proof of the fairness and care with which you estimated" (that is, the chairman and the directors) "the position of the bank at the close of the last half year. We regret, however, to have to state that a large addition must be made to the estimate of the loss incurred by the bank. During the past two months the shares of certain joint-stock companies, held as security for advances, have fallen in value, and in many cases of claims from insolvent estates, the probability of a favourable return has greatly diminished. We have taken the joint-stock shares at present market rates, many of which must be considered unduly depressed. The returns from insolvent and other estates have been taken at low estimates, and we hope that eventually the amount realized may prove considerably larger than that at which we have placed it." Now, I would ask the Commission to consider who were the gentlemen who made that report.

6647. We are going into that subject. You must not suppose that I am going to exclude such an important subject as that. I have full notes of it to examine you upon it.—I have one particular object in view, which is to exonerate the Government over which I had the honour to preside from a very serious imputation.

6648. You will have the opportunity.—If you find that what I say now will obviate the necessity of saying anything upon the point hereafter, perhaps you will permit me to speak upon it now.

6649. If you like to do it now, do so; take your own course.—You have noted the quotation of the second, third, fourth, and fifth paragraphs of that report?

6650. Yes, I have them marked.—The first point which I would ask the Commission to consider is, why these three gentlemen were selected? Mr. Hunter, whose name stands first on the list, was, I believe, at that time one of the merchants who in general estimation stood highest, as belonging to a perfectly solvent house, and a man who had abstained from all speculation in shares. The Commission is a better judge than I could be, even now, how far that general opinion was borne out by the facts. I merely mention it as the ground at the time which induced me to select him.

Mr. Harrison was a gentleman who belonged to the account department of the Government of India, and then stood, I believe, if not at the head, very nearly at the head of that department.

Dinshaw Manockjee was a native gentleman, supposed to be of very great wealth and very good credit, and he was also supposed to be remarkably free from share speculations. That likewise is a point, regarding the soundness of our judgment, upon which the Commission will be able to form their own opinion.

I find on looking at an abstract of the proceedings of the Government of Bombay, in the Financial Department, in August 1866, that there is a letter from the officiating deputy secretary of the Bank of Bombay, dated August 21st, 1866, requesting that, "as the two gentlemen (the Honourable A. J. Hunter and Mr. Dinshaw Manockjee) proposed by the directors to be members of the committee for examining the valuation of the assets of the bank have consented to act, he may be informed when the gentleman nominated by Government will find it convenient to act, so that timely arrangement may be made with the directors' nominees." Then there is the following resolution: "The secretary and treasurer Bank of Bombay to be informed that his Excellency the Governor in Council has, with the consent of the Government of India, appointed Mr. E. F. Harrison, of the Bengal Civil Service, to examine the assets and liabilities of the bank in company with the gentlemen appointed by the directors, and that Mr. Harrison is now in Bombay, and ready to at once commence the duty." (*Exhibit marked* A 182.) That shows that we had called for the consent of the Government of India, and that our selection of this gentleman was noted in that abstract which was in the same month sent to the Government of India and to the Secretary of State.

I would ask the Commission to consider, if Mr. Harrison was not competent to do what the Government of India wished, where it was possible that we could find a better man? I cannot at the present moment recal the circum-

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stances under which Mr. Harrison was then present in Bombay, but I believe that he is now in England, and the Commission can, if they please, examine him themselves.

6651. (*Major Innes.*) Mr. Harrison is now the Controller General of accounts; he was employed at that time in going about in connexion with the changes which were then taking place. The gentleman to whom you allude as being in England is Mr. Richard Harrison. Mr. Edward Harrison succeeded him.—But he was, if I am not mistaken, a very eminent member of the Account Branch of the service. I would ask the Commission to consider that all this was before the Government of India, when they wrote the letters on the 3rd and the 26th of October 1866, which are to be found at pages 59 and 60 of the Blue Book. These reports were before the Government of India.

6652. (*President.*) The Government of India still insisted upon having their detailed statement?—Yes. The Bombay Government replied on the 22nd of November 1866.

6653. But in these letters to which you refer, of the 3rd and the 26th of October, the Government of India said that, notwithstanding that report, they insisted upon having that detailed statement?—Yes; and the Government of Bombay replied on the 22nd of November 1866. Now I would particularly ask the Commission to consider well this letter of the Government of Bombay, because, although it is not so conclusive as I could have wished, still I think that it shows very clearly what our impression was at the time, and what we naturally expected the Government of India to do.

We acknowledged their letters, and we sent some further correspondence with the bank, asking for a renewal of their agreement, which would be a piece of incredible presumption, in my opinion, if the impression which I am now to submit to the Commission is not the just one. In the second paragraph the letter states, "His Excellency the Governor in Council is of opinion that, provided a statement that will be called for at the end of December next does not disclose a more unfavourable estimate of the losses sustained by the bank than that recently arrived at by the special committee, and provided that the resolution for reducing the nominal capital in accord with actual assets proposed at the meeting held on the 12th ultimo is confirmed by that to be assembled on 15th January next, the agreement with the bank should be renewed from the 1st March next, on the terms offered by the directors in their letter dated the 5th September last."

"With reference to the remarks contained in the second paragraph of your letter under acknowledgment, I am directed to point out that the new bill for the amendment of the bank charter was submitted for the assent of his Excellency the Viceroy and Governor General, as far back as 13th October last; that a copy of the rules now in force for the general management of the bank was furnished with the Under Secretary's letter No. 609, dated 16th June 1866; that the Government of India have already been informed of the actual present position with respect to assets and liabilities as ascertainable from the report of the special committee above referred to, and that the figured statement referred to in paragraph 9 of my letter No. 987, dated 22nd ultimo, is now under preparation, and will be submitted as soon as it is received from the bank."

6654. Am I to understand that you considered that that was a compliance with the Governor General's letter?—I would submit to the Commission that that clearly shows the opinion of the Government of Bombay, as to the then position, namely, that at the end of December a statement would be called for, and if the result was not more unfavourable than that in June, and the capital was reduced, the agreement with the bank would be renewed; and the third paragraph of the letter says, in almost as distinct words as it can say it, "We consider that we have given you the information which you required, as far as we can." If the Government of India wanted more, it was merely for them to say so.

6655. I do not follow you in this matter. It strikes me that after receiving two strong reminders, insisting upon having these details, and a full and unreserved exposition of the bank's affairs, which had been so long promised and so repeatedly withheld, your letter of the 22nd of November, so far as I understand it, was an attempt to put the Governor General off with something else?—It was clearly for him to say so if he thought so.

6656. He does say so in effect, at page 102 of the Blue Book, by his letter of the 9th January 1867.—I will come to that afterwards. I would ask the Commission now to refer to page 21 of what is called the Confidential Appendix (*Exhibit marked* A 188) and to my letter of the 10th of December 1866.

6657. You then fully realized the state of the bank. Your letter shows that.—I would especially ask attention to the fourth paragraph, in which I said, "But if any further inquest is to be held I think you had better send some one quite unconnected with Bombay, or even India, to make it."

6658. I have underscored the whole of that paragraph. You will remember that that is on the 10th of December 1866, when every shilling of the loss had been incurred.—We could not tell that at the time. We were under the delusion, which was shared by these gentlemen who had had access to the bank's books, and who had made the best estimate which they could, and they were under the impression (which I will almost immediately show you was shared by another very competent judge, who also had the very fullest opportunity of seeing what was in the bank's books) that there was a very considerable surplus.

When this letter, which the Commission appear to consider insufficient, was before the Government of India, I stated as distinctly as words could express, my conviction that if any further inquest was to be made it should be done by somebody not only independent of Bombay, but of India. I go on to say, "Any further inquiry we could make here, and, I believe, any you could have made by people from Calcutta or Madras, would do nothing but tell us what is already known, and be no more productive of practical good, than an inquiry into the South Sea Bubble." I would ask the Commission whether it was possible to state more conclusively than that, that we had exhausted our means of inquiry.

6659. You need not labour to establish that point at all. We are quite sure that at that time, in December 1866, you were perfectly awake to the position of the bank, and I believe that from that time to this you have been anxious to have a full investigation into the matter; but the question is, whether in the year 1865, when the first demand was made by the Government of India, and when mischief might have been prevented by an accurate inquiry, you took the right course?—I am only addressing myself, with such means as I have now before me, to that point, namely, that for nearly eight months we perseveringly, or designedly, put off the Government of India from getting what they wanted; and I have endeavoured to show from these letters that we considered that we were giving them every information which could be given while the storm was going on, and that we had no sort of intention of screening what had passed.

6660. Have you concluded your statement?—No; I have one more reference to make, and that is to the letter, in the same appendix, of the 23rd of February 1867, in which I mentioned that shortly after Mr. Stuart's return a run had commenced on the bank. I expressed an opinion that the bank was almost irretrievably gone, but I would ask you especially to refer to paragraphs 5, 6, and 7 of the letter. I there said, "I feel great trust in Mr. Stuart. He is of the same sound school as Mr. George Dixon," and so on, and I stated that I hoped he would be able to retrieve past errors. "But your financial member of Government and all your financial advisers ought, I would respectfully submit, to know more of this very sensitive money market than they do. The place is now as big as two Glasgows. Lyons and Marseilles rolled into one would hardly equal it in either population or trade, and it is daily growing at a rate I have never seen equalled."

I would ask the Commission whether it was possible to state more conclusively, than these papers which I have quoted stated, what was our impression, namely, "We have given all that we could get at, and if you want to get more you must find external agency for obtaining it."

Lastly, I would ask the Commission to refer to Mr. Stuart's letter to the Government of Bombay of the 1st of February 1867, and to his evidence at page 253 of the Indian Evidence. I do not wish to ask what is the opinion of the Commission as to Mr. Stuart's evidence, but I would venture to state my own opinion at the time, which was that it was impossible to have found a man more thoroughly determined to do his duty, and more thoroughly competent to do his duty in that respect, than Mr. Stuart was. His coming to this inquiry

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was not an accidental matter. He had been sent for months before, and I have not the least doubt that the knowledge that he was to supersede Mr. Robertson was one of the reasons which actuated us at the time very considerably, in not being more careful to put before the Government of India our impressions as to the difficulty of getting what they required. We expected a man who was entirely unconnected with what had passed, and who was thoroughly competent to know where to put his hand upon the information which was necessary; and I do not think that it is unreasonable or worthless evidence as to there being every disposition to comply with the desire of the Government of India, that we deferred further inquiry till Mr. Stuart came. These were points which did not suggest themselves to me till, on my return after the sitting of the Commission the day before yesterday, I again looked over this correspondence.

6661. As you have referred to that subject, before we go to the next point, I may as well conclude it by asking you a few more questions upon the same subject. Will you look at your letter of the 29th of June 1865, at page 4 of the Blue Book? I suppose that that letter was written upon the receipt of the Governor General's letter of the 22nd of June?—To what paragraph do you allude?

6662. I refer to the whole letter, signed, "F. S. Chapman," and dated "29th June 1865." Was not that letter written upon the receipt of the Governor General's letter of the 22nd of June? You will see that it is a letter addressed to the Government directors.—Probably it was so written.

6663. Did you forward the letter of the 22nd of June with it to the Government directors? It does not refer to it at all; it is in much more general terms.—It may, or may not, show that that was a subject before them. The original letter, if you have it on any of the files, would show.

6664. We have not the original letter. We accepted the Blue Book as being so far correct. Was that letter of the 29th of June ever answered?—You mean the letter of Mr. Chapman to the Government directors?

6665. Yes.—What I should conjecture was the course of things (but it is simply a conjecture) is this: we got a despatch from the Secretary of State, which was referred by endorsement immediately to the Government directors. When that despatch got on to the Government of India, they wrote to us, and we considered that the report upon the despatch of the Secretary of State answered the letter of the Government of India. That is the only conjecture which I can make.

6666. But that does not explain this letter of the 29th of June; what was it written for?—I have no doubt that you intended to answer the letter of the 22nd of June. What was the object of this letter of the 29th of June to the Government directors?—It was to get a confidential report of the then present state of the bank.

6667. Do you take the report of the 30th of June to be an answer to that letter; it must have been written at the time?—No.

6668. Then was there any answer to that letter of the 29th of June?—I cannot trace any.

6669. Neither have we been able to trace any. I called your attention the other day, and I want to do so again, to what you say in the letter to the Secretary of State.—Might I be allowed to make one remark, namely, that in all these cases the question of whether there is an answer, or not, is one which can be immediately answered from the original files. Are the original files still in India?

6670. I dare say that they may be.—Then, if I may be permitted to make a suggestion, I would observe that these points, instead of being elicited merely from recollection, would be instantly and conclusively answered by a reference to the Government of Bombay. You are aware that every letter, when it comes in, shows by its endorsements, or ought to show, the exact course through which it has passed.

6671. (*Major Innes.*) Would not the abstracts of proceedings, which are sent both to the Secretary of State, and to the Government of India, show that?—Many of them would.

6672. Would they not necessarily do so?—No, not necessarily, I think, because while I have been able to trace some documents, I have not been able to trace others.

6673. (*President.*) But the reason why you have not been able to trace others, I suppose, is because they have never been written?—I will mention the reason. When a letter comes in and is disposed of within a month, you can then easily trace from the abstract what has been done with it, whereas in this case probably it went on into other months, and very possibly got into a compilation which was in circulation for many months together. It would require the original documents to trace the history of any particular letter, and what pains were taken to answer it.

6674. I will call your attention to the fifth paragraph of your letter to the Secretary of State, at page 3 of the Blue Book. I want to understand your action upon this matter. This is on the 8th of July 1865. I called your attention to this point the other day. You there say, "We will reserve our opinion as to the conduct of the elected directors of the bank till we are in possession of the more complete information regarding the management of the bank during the past year, which we expect will be supplied by the promised report of the Government directors." I asked you the other day what was that report. It seems that you continued your intention to send in that report. You say, at page 9 of the Confidential Appendix, in your letter of the 22nd of June, "Meantime Chapman and Lushington are preparing a very full report, which I have no doubt will show how far their predecessors, as Government directors, were or were not to blame."—Yes.

6675. Then again on the 7th of July 1865, at the end of the first paragraph at page 11 of the Confidential Appendix, you say, "You shall have full details of all that relates to the bank's past management, and what we propose for the future in reply to your financial secretary's official letter;" that is, the letter of the 22nd of June?—Yes.

6676. What our evidence pointed to the other day, was to show that that letter containing those inquiries was never answered, and that only one of them, namely, that relating to the shares, was ever answered.—I would remark that if the Commission would say to me, "Here is a letter with no answer, can you explain that, or can you find the answer?" I should at once say if I could trace it, "Here it is." But you could clear up such a point immediately by referring to Bombay.

6677. You have said that the letter to the Secretary of State with the Government Directors' Report of the 30th of June, was sent to the Governor-General. That you said was the answer, and that appeared quite clear from a statement in the Governor General's letter.—I understood you immediately to put to me that that could not be the case, because the call was on the 29th of June, and the answer is on the 30th of June.

6678. I do not think that the letter of the 29th of June has anything to do with the letter of the 30th of June (Mr. Chapman has said so), but the letter of the 29th of June at page 4 is inexplicable to me.—It seems to me very clear from this, either that the answer is not here, or that it has not been sent. But that could not be cleared up, unless you made a reference to the original documents.

6679. It is not of much consequence, but I just wished to ask whether there was an answer to that document?—It is quite clear, from the omission of one or two letters which are specifically mentioned by number and date, that this blue book cannot be considered a perfect compilation.

6680. We have telegraphed for two or three of those letters from India, and we hope that we shall get them long before we finish our report.—If the Commission would permit me, I would offer a suggestion as to the sort of question which would elicit the truth regarding this letter of the 29th of June, namely, if you directed the Government of Bombay to refer to the original files containing that letter, and to give a copy of all the endorsements on it with all notes and letters, because they must be on the original file.

6681. If that document had ever been answered, I apprehend that it would have been upon the minutes of the Bank of Bombay?—I cannot say.

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6682. My colleague, Mr. Melvill, went over to the Bombay secretariat and looked through all these endorsements, but he could find no answer to this letter.—Did it appear why there was no answer ?

6683. We cannot help you as to that. He went through the documents, and he found that there was no express answer.

With regard to the production of the letters which we called for, what observations have you to make ?—I made a reference to Lord Halifax, whose letters have been called for, and he entirely concurred in the view which I had taken ; but he considered that it was for the Commission to decide how far any paper of this sort should be made public. He said that of course it must be produced, and he asked me to reiterate my objection.

6684. Perhaps you had better read his letter.—He says, "I would ask you to reiterate your objection, saying that you beg the Commission to understand" (I am giving the substance of the letter) "that you have no objection on the score of what is contained in the letter, but that your objection is simply on the point of public policy. If they insist upon it, produce the letter in obedience to the Commission's orders."

6685. Then I do not understand that you withdraw your objection ?—My objection would always remain to the production of any letter from the Secretary of State to a Governor, except for some object which the Commission, acting as a court of justice, considers adequate to overcome the objection of public policy.

6686. There are two questions more or less connected with each other, and yet in some degree distinct; there is first of all the question of law, and there is next the question of propriety. Now it may be said that as a court of law (for we have those powers) it may be sufficient for us to discuss only the question of law ; but we are also a court of inquiry, and I therefore think that we may look at the case in both aspects.

As a question of law, it is no doubt perfectly clear that the communications between a Secretary of State and the officials acting under him are protected in any suit, brought even where the Secretary of State himself is a party, but it has never yet been decided that when a Secretary of State appoints a Commission, and directs that Commission to make an inquiry of this nature involving the conduct of officials, and to report thereon, it is in the power of the Secretary of State to withhold that information which can alone enable the Commission to come to a correct conclusion. It has never yet been decided that the Secretary of State has power to say, "I will show you these confidential documents" (for he has shown us documents actually confidential, with the word "confidential" stamped on them), and yet to say "I will withhold other documents," equally confidential, I dare say, but which, for some reason or other, he wishes to withhold. I think that it would be a grave question in law, which I do not wish at present to decide, and which, unless I am driven to it, I would rather not decide, whether the Government has not abandoned the question of privilege by having gone so far as it has done, and having professed to appoint this Commission for the purpose of making a full and searching inquiry.

But I would rather put it upon another ground. I would rather not decide, as Lord Halifax wishes me to do, the question of law ; I would rather appeal to the Secretary of State, and the Council with which you are connected, to decide that point ; and I put it really as a question of propriety. It seems to me, that this Commission having been appointed to inquire and report as to the causes of the failure of this bank, a question necessarily involving all the officials connected with the bank, and the Government up to this moment not having attempted to conceal anything, but having shown all confidential documents, if the Government now withholds these particular documents, it must expect the Commission to conclude that these particular documents are in some way peculiarly inconvenient to be produced, and that their production is not objected to on the ground of public policy, because otherwise the production of all the other documents would have been objected to; but that it is objected to because their production may be thought damaging to the case of the Government. That may or may not be, but still, if the Government takes this line as to these particular documents, it must expect some conclusion of that sort to be drawn. And I would say that it is hardly fair to this Commission to call upon them to inquire and report as to the causes of the failure of

the Bombay Bank, with which many of the officials of the Government have been connected, and yet at the same time to withhold any materials from which they might have framed that report. Of course we have no feeling or animus in the matter in the least. Our sole desire is to do justice between the parties who come before us, and we have no other object in view. And instead of calling upon me to decide this point now, I would suggest to you, again to refer it to the Secretary of State, and to the Council with which you are connected, whether they would not spontaneously produce those documents.

(*Sir Bartle Frere.*) If the Commission will permit me, I would beg to express my entire concurrence in almost every word which has fallen from you, sir, and to say that I never considered that there was any question involved in producing papers in public, other than that of public policy, after they had been laid before the Commission, who would be the best judge of how far there was any ground of public policy involved in producing them. You will see that there could be no possible reason against their production, but that of public policy; and I would only further venture to submit that this was not a question in which the present Secretary of State was concerned. These were letters which had been received from a former Secretary of State, and therefore the present Secretary of State and his Council could have no possible ground for wishing them to be withheld. When you see these letters you will see that there is no other reason against their production than the general ground of public policy.

6687. I wish to know whether the objection is withdrawn; if so, I shall be happy to look at the letters?—I thought that I had stated so.

6688. No; you wished me to decide whether the letters should be produced or not.—I have not the least objection to produce the letters, but I must still beg that, as regards every letter which the Commission may ask me to produce, they will consider the ground of public policy. The Secretary of State writes to the Governor in the most unreserved manner about men and measures, and I would submit to the Commission, with all respect, whether it is always a good thing in the view of public policy that such opinions so expressed should be published.

6689. I am afraid that I have not made myself understood. Nothing is more clear, and I think more sound in principle, than that the communications between the Secretary of State and officials acting under him should be secret, and should be privileged. If it were not so, as Lord Lyndhurst well said in one case, the consequence would be that people in those positions would never write freely to each other, and that there would be such a reserve which could not but be detrimental to the public service. But this is not a case of that character. I wish to call your attention to the fact that this is a Commission appointed by the Government themselves, and that they must be taken to have intended a full and searching inquiry, and that they never gave any notice to any human being (certainly not to us) that any evidence would be withheld. If it is not a communication from the Secretary of State, I do not know how you will put it. It is not then privileged at all.—Of course.

6690. We may be wrongly informed, I cannot give you the data, but we have information that you had positive orders to pass no Bombay Act except in accordance with that of the Bank of Bengal. That may not have been conveyed to you in an official letter, but I believe that it was in a demi-official, or confidential, communication.—That is not a point which I have been looking for, because I have been under the impression that whatever the Secretary of State said on that particular point, was to precisely the same effect as what was officially on record.

6691. That is not my view. What I want is to have those demi-official papers handed in, and, of course, knowing what the nature of the circumstance is, we shall only make use of such parts of them as really apply to the case. I wish to know whether the objection is withdrawn, or whether we are called upon to decide the case?—Which objection?

6692. The objection to produce these documents.—I thought that I had made my meaning quite clear, that I have no objection to produce the documents, and, with all respect, I leave it entirely to the Commission, and have

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always wished to leave it to the Commission, to decide, when those papers are produced, whether it is expedient that they should be made public.

6693. I do not know what you mean by that, unless you mean this, which I think is a reasonable proposition, namely, that we should look through the papers and only make use of such parts of them as are really applicable to the case?—Precisely.

6694. Then that we have no objection to do.—Might I ask which documents you want?

6695. I should like to have them all. I want all confidential communications which you received from the Secretary of State during the years 1862, 1863, 1864, and the first half of 1865.—These are the letters.

6696. Of course I do not wish to read anything else than what really applies to the Bank of Bombay.—The subject is mixed up more or less throughout the whole correspondence. I should be glad if the Commission would give me some indication as to date.

6697. I cannot give a single date. We have certain information, and I want to look through those letters. If you will produce the letters we will look through them carefully, and we will only make use of those points which really refer to the subject.—I generally received a letter by every mail from the Secretary of State.

6698. Here is, for instance, a letter of the 18th of October 1859.—There are only one or two of that early date; you will find that they are chiefly in the years 1862, 1863, 1864, 1865, and 1866.

6699. Cannot you go through those documents and mark the passages which you think are material, and I will run my eye through them to see that there are no other parts, for the satisfaction of others; not that I should doubt the accuracy of your marks?—Will the secretary furnish me with a note as to the precise points?

6700. We are not only inquiring into precise points, but we are on a general voyage of discovery. The great point which we have on our minds is that you had instructions to pass a Bombay Act, in accordance with the Act prepared for the Bank of Bengal.—If the Commission will permit me, I will make one remark. I believe that during the time that Sir Charles Wood was Secretary of State, there was hardly a mail which did not carry out to each of the Governors a letter on all subjects of interest which were before them. The amount of labour in writing those letters is something perfectly marvellous. These are the letters which he wrote during four years to one Government.

6701. Will you kindly run your eye through them, and mark those passages which relate to the Bank of Bombay?—Might I add also the currency question?

6702. The currency question was before the Act 10 passed, and it was before then that the Government had made up their mind that they would not allow the bank to interfere with the currency at all.—Just so; but it became mixed up with the question of the bank as connected with the transfer of the Government treasuries.

6702*a*. If you like to mark those psasages, do so.—I am only anxious to give the Commission every information as easily as possible. Then may I understand that I am to produce to the Commission all those letters?

6703. If you will kindly bring us back these papers we will look through them, and I will just cast my eye over them, so as to be sure that nothing relating to the present question is omitted. We have a great number of people watching our proceedings with intense interest, and they wish to be sure that we have gone to the bottom of everything. I shall go through those papers, just running my eye over them, so as to see that there is no passage omitted with reference to the Bank of Bombay, but not with a view of reading them.—I have not the least wish to limit the Commission, or to attempt anything so foolish. My only wish is to lay before the Commission all the information which I have, and to free myself from any imputation which might afterwards remain on their minds, that I had not fully complied with their desire. Am I to understand that I am to mark anything relating to the Bank

of Bombay, the transfer of the Government treasuries, and anything relating to the renewal of the agreement?

6704. (*Major Innes.*) The renewal of the agreement is connected with the Bank of Bombay, so that it will come under the first head.—Yes.

6705. (*President.*) I think that we will promise Lord Halifax that the extracts made shall be made by one of the Commissioners.—He has the fullest confidence in the Commissioners. He entertains a strong view as to the necessity of observing confidence in this matter, and all that he wishes is, that having expressed opinions very fully regarding men and measures in his confidential communications, he should do nothing as an ex-Secretary of State which might hamper the proceedings, or impair the confidence of those who succeed him in the government of the country.

6706. We will now proceed with the examination; and I shall take you into a matter into which you have already gone at some length, namely, the Committee of Messrs. Harrison, Hunter, and Dinshaw Manockjee, but perhaps not quite so fully as I otherwise should have done.—There is one point, which is a very small one, namely, that I was away from Bombay in Scinde at the end of that year, which probably accounts partly for some slight delay.

6707. When was that?—In December 1866.

6708. But the tabular statement was sent up on the 23rd of November 1866. How was that Committee appointed?—In this abstract, which I have already shown to the Commission, I have not been able to trace anything which is not dependent more or less upon my recollection. The Commission will understand that I am speaking solely from recollection. We were anxious to get, as far as possible, an unbiassed and impartial Committee who would do their duty thoroughly in the matter.

6709. Then you applied to the Government of India?—We applied for the services of Mr. E. F. Harrison.

6710. By whom were the other two gentlemen, Mr. Hunter and Dinshaw Manockjee, appointed?—Mr. Hunter was, I think, indicated by the Government. We had communication with some of the merchants who were supposed to be least connected with share speculations (I am not sure whether you would wish the names), and they indicated Mr. Hunter as a person who was remarkably competent, and remarkably free from connexion with share speculations, and, as far as I recollect, we communicated with Mr. Hunter. He at first pleaded difficulty on account of his own private business, and I think he also stated objections which were connected with his partners in England; objections to his undertaking any duty beyond that which was directly connected with the work of the house; but we overcame his objections when we pointed out to him that it was a matter of great public importance, and he consented to serve. In a degree, the reasons for selecting Mr. Dinshaw Manockjee were, I believe, the same.

6711. My point is this. Were they nominated by the directors of the Bank of Bombay?—It was considered that it would be more proper that they should be nominated by the directors after consultation with the Government, but that the nomination should come from the directors.

6712. Then am I to understand your evidence to be this, that these two gentlemen were appointed in consultation between the Government and the directors of the Bank of Bombay?—Certainly, that is my recollection.

6713. That agrees, I think, with the evidence of Mr. F. S. Chapman. What instructions did this Committee receive?—I really cannot lay my hands upon any at present.

6714. Did you lay before that Committee the inquiries contained in the Governor-General's letter of the 22nd of June 1865, or the inquiries contained in the Governor General's letter of the 13th of July 1866?—Those are points which I could not tell you, without looking to the documents regarding their appointment.

6715. Were the instructions which were given verbal or written?—I really cannot tell. I might find something regarding it in the papers.

6716. Was not it simply this, that those gentlemen were told that the

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directors had made an estimate of the value of their securities, and that they were requested to go and see whether that estimate was correct?—I really cannot tell without looking at any papers which there may be as to their instructions.

6717. You will see the way in which they made their report. They say, "We have the honour to state," not that they have gone into the affairs of the bank at all, but, "that we have, in accordance with your request, examined the valuation which has been laid before us of the assets of the bank, as on the 30th June last."—Yes.

6718. You will see that there are there two things. They were first simply to revise the estimate and valuation of the directors, and in the second place it was a valuation made on the 30th of June previous, and not up to date; in fact it simply shows that they were revising the half-yearly report. They say, "We have the honour to state that we have in accordance with your request" (that is the request of the directors of the bank) "examined the valuation which has been laid before us of the assets of the bank, as on the 30th June last."—Yes.

6719. Is there anything upon the face of that report to lead this Commission to think that there was any such inquiry into the position of the bank as the Governor General required in either his letter of the 22nd of June 1865, or his letter of the 13th of July 1866?—There is certainly nothing of that kind in the report as far as I have read it. The only indication which I have of what their instructions may have been, is this phrase in the abstract of August the 24th, that they are to examine the assets and liabilities of the bank.

6720. That is, the half-yearly statement in June. They understood that to refer to a valuation previously made; they just took this valuation of the directors which we have been unable to get, and which the Government of India did not get at first, though they telegraphed for it, as you will see by the next page. When you first sent up the statement, and when the Government of India did not get this information, and telegraphed for it, did you send it up to them? We have never seen that valuation. We have asked for it, as well as for other valuations, but we have never been able to get that valuation.—I cannot explain its absence.

6721. Mr. Chapman and Mr. Claude Erskine, and yourself, put forward this report of the committee as an answer to the impression, which our examination no doubt must have conveyed to you, that there was a disinclination to furnish the Government of India with particulars. It was considered that there had been a full inquiry into the position of the bank by one of the Government officers, as shown by this report of the 8th of September. When we look at this report we see nothing as to a full inquiry into the position of the bank.—It appeared to me that when that committee was told to estimate the assets and liabilities of the bank, it was as full a direction as could be given to state what was the financial position of the bank, and whether it was solvent or insolvent.

6722. This paper would hardly enable the Government to form any conclusion as to how the business of the bank had been conducted either by the secretary and directors, or as to what the nature of the reports was. What the Governor General wanted to get was a statement which would enable him to say, "Putting my hand upon this, it shows that your bank has been conducted in a scandalous way," which he would have done if he had been furnished with it.—He had been repeatedly told so before.

6723. This report of the committee does not seem to me to convey to the Governor General anything except a small portion of the information which he required.—Then I think, as I have before submitted, that it was for the Government of India to say, "You have mistaken our object; we want not this, but something else; and if you do not give it to us, we will send somebody else to get it for us." They had an Accountant-General of their own, and a large body of officers in Bombay, with whom they were in direct communication, and from whom they received, I believe, the most minute information regarding the state of the bank. If they had the slightest reason to suppose that we were fencing with their questions, they had two courses open to them; one was, to have immediately superseded the action of the Government of Bombay in the matter, and to have sent a man of their own; and the other was,

to have told us frankly, "You have sent us a report of Mr. Hunter and Mr. Harrison; that is not what we want, we want something else, and you must send us something else."

6724. Is not that exactly what they did?—They did not do it in a manner intelligible to us.

6725. You sent up the report of the committee on the 19th of September 1866, with some enclosures.—At what page is that?

6726. That is at the bottom of page 57. That is your enclosing letter, and you therein send the report of the committee, which is at page 58, and your orders upon it, given in a letter of the Under Secretary, in which there is the following paragraph: "In conclusion I am desired to add, that in his Excellency's opinion, the committee appear well to deserve the thanks of the shareholders, for having efficiently performed a most unpleasant duty, and that this may be said without any reflection on the directors who concurred in the former estimate, and who appear entitled to the undiminished confidence of the shareholders of the bank at this great crisis."

Then the Governor-General answers that communication; he first of all sends by telegram for a statement of affairs, and he then answers you in a letter which states, "The directors do not concur in this estimate, grounding their dissent in the certainty of the reaction which must sooner or later succeed the present depression of commercial affairs. The probability of a reaction may be admitted; but it does not follow that the effect will be to restore in any degree the value of the securities held by the bank. On the contrary, much of this property is likely to become valueless altogether." That was really a prophecy which turned out to be correct. "The wide discrepancy between these several estimates, framed during a period not exceeding six months, renders it more than ever necessary to insist upon the production of the detailed information which the Government of India called for in the 15th paragraph of their despatch to Bombay, dated the 13th of July last, No. 1456, but which, notwithstanding repeated reminders, has not yet been furnished." So that the Governor General did say, "I am not satisfied with the report of this committee."

Then he goes on to say, "In the absence of such information the Governor-General in Council cannot concur in the entire confidence expressed by the Government of Bombay, 'that the former valuation was at the time a perfectly fair and conscientious one,' nor can the Governor-General in Council appreciate the grounds upon which the Government of Bombay formed their hope that it may yet prove the more accurate estimate of the probable out-turn of the securities held. The Governor-General in Council, however, does not feel called on to publish the report of the committee," and so on. He also goes on to say, "It is the duty of the Government of India, as the largest shareholder in the bank, and as trustee of the treasury balances in their custody, to require that the full and unreserved exposition of their affairs, so repeatedly demanded, shall no longer be withheld."

Then again in the next letter, of the 26th of October, there is the same thing. The Governor-General there says, "It is absolutely necessary not only that the Government of India should be in possession of the statement of the precise position of the affairs of the Bank of Bombay, which has been so repeatedly called for, but also that the Governor-General in Council should have time to consider the new bill for the amendment of the bank charter, which has never yet been submitted."

Then when he gets your detailed statement, if you will turn to page 102, you will see that he does not express himself as satisfied with it. He says, "With regard to the statement of advances" (that is the statement at page 96) "which has been so long and repeatedly called for by this Government, I am desired to observe in the first place that, as recorded in the heading, it is a statement of sums over due above the amount of three lacs, for which on the 30th June 1866, the Bank of Bombay was in advance by way of discount, loan, or otherwise, exclusive of loans on deposit (to the full value) of Government paper or guaranteed railway scrip, or imperishable goods. This statement cannot therefore be received as containing a full and complete account" (which was what he had asked for) "of the bank's position in regard to its advances, inasmuch as there may be many sums for

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which the bank is under advance below three lacs of rupees on which the bank may stand to lose as much in proportion as on larger amounts, and the aggregate of which may amount to a large sum." I suppose that he had got rather tired of trying to obtain the information which he wanted, and he went on and dealt with the statement as he could.—With regard to that I would observe that the criticism is perfectly just, but, at the time when these letters were written, Mr. John Stuart was on his way, or had arrived there (the bank were under treaty to get him), and one of the things which had impressed us at the time was, that a change in the office of secretary was imperatively necessary. I cannot state exactly at what particular period that impression was communicated to the Government, but at the very time when these letters were being written, measures were being taken by the bank to obtain a secretary who would be able to give the information which was required in a trustworthy manner.

6727. You will also remark that the report of the committee contains no statement as to the amount of sums outstanding.—I have no doubt that it was a very imperfect report, looking at it by the light of the evidence now before the Commission. I can only speak, and I am only speaking now, as to what were our views at the time. I say most distinctly that we had no reason to suspect that the secretary was dealing otherwise than with perfect fairness by us.

6728. Neither does that report contain any statement of the securities. It only refers to them generally. It does not state what the securities really were, nor how much was advanced against each security, which was very important, and all of which had been asked for, by the Governor General's letter of the 13th of July.—We were not good judges of that, and no doubt with the information now before us we should deal differently with the matter.

6729. When you got this great diversity of opinion between the committee and the directors, the impression upon the mind of the Governor General was that it was desirable to have a fuller inquiry if possible. What was the effect upon your mind at that time?—The fact attracted my notice very strongly, and I made what inquiry I could, and I was informed (and I had no reason whatever to doubt the soundness of my information) that the crisis which had originally occasioned the shares to be taken over, instead of passing over as financial crises of the same kind had done in former years, continued and became more intense, and that what was really worth 100 rupees at the time of the first valuation was not worth more than 50 at the time of the subsequent one.

6730. It is material for you to show, if you can, that at any time in the year 1865, or in the first half-year of 1866, you instituted in any way a thorough or searching inquiry into the position of the bank. As I understand your case, it is that you had not the materials for such an inquiry outside the bank. Is that the case? I want to give you an opportunity of explanation. Can you say that you ever instituted any thorough and efficient inquiry into the position of the bank after May 1865, down to the first half-year of 1866? After that time the mischief was done.—May I state briefly my view of the successive difficulties?

6731. Certainly. Any explanation which you like to give, I wish you to give.—I will begin with the very unexpected fall in the price of cotton at the end of the American war. That occasioned the first crisis; and from that time up to the present moment a period of depression has prevailed, which I believe is quite unexampled in the financial history of the world. With few exceptions every other financial crisis has passed off within the space of a very few months. The rotten houses have been wrecked, and the sound ones have gone on with business as before. But there is this peculiarity in the financial history of Bombay, and I believe that I might say of England also, that from the end of the American war to the present time, there has been a constant succession of panics and of prevailing mistrust, which, instead of allowing affairs to right themselves financially within a few months or weeks, has caused them to continue depressed for a much longer period. I believe that fon ormer occasions such a thing as a depression of this kind enduring for a whole year has been quite unknown.

6732. Is it your meaning that you did not make an inquiry because you thought that things would look better?—We continually deferred making

inquiry because we hoped that things would get better, and that we should be in smoother water.

6733. Do you not think that an inquiry, if instituted at that time, would have shown you a most defective system of management of the bank?—I am certain that it would; and looking back with the light of subsequent experience at what has passed, I feel sure that what we ought to have done, would have been to have let the bank break at once. The possibility of the bank's breaking was looked upon as an unprecedented calamity, which ought to be averted by any legitimate means at our command; but I am satisfied now that the wisest and the best course for everybody would have been to have allowed that ruin once for all to have overtaken the institution, and to have done our best to begin again.

6734. Had you any reason to suspect at that time the conduct of the secretaries? I have collected from you that you had not.—Certainly not. I made frequent inquiry in every way that I could imagine, as to the conduct of the secretary; and I may state that up to the time when I left Bombay, though I made inquiry from persons who, like directors, were suffering so much from it, and from Mr. Stuart, none of them gave me any reason to suppose that there was anything worse than extremely bad banking, and great want of judgment. I may mention that Mr. Stuart answered my inquiry with some hesitation. Within a very few days after he came he told me that had he known how bad affairs were, nothing should have induced him to come out to the bank. I put this question to him, "Do you consider from what you have seen, that there is anything worse than gross mismanagement?" He paused for some time, and thought over the question, and he said, "I cannot, as at present advised, lay my finger upon anything else than extremely bad banking, and very great want of judgment."

6735. Had you any information, during the year 1864 particularly, and the beginning of 1865, of the way in which the directors generally superintended the business of their bank, so far as personal attention was concerned?—I had none whatever which could give me the slightest idea of the state of things which I find revealed in the evidence. I had always understood that the Government directors paid considerable attention to the business of the bank. The first intimation which I had of anybody supposing that the Government directors had not done their duty, was when I requested Mr. Chapman to pay particular attention to the bank's proceedings, just after he joined. He then informed me that on his asking to look at some of the books, when he first went to the bank, the secretary for the time (I am not certain which of them it was) said, in rather a sarcastic manner. "We are glad to see a Government director taking an interest in the business of the bank." Mr. Chapman mentioned this casually. That was the first intimation which I ever had, that anything less than a most complete devotion to their duty characterised the proceedings of the Government directors.

6736. You were not aware that the chairman attended the bank only on the day of the board meeting, and called only casually once a week or so besides to inquire?—Certainly not. The only Government director with whom I was much in communication was the Secretary to Government, Mr. Robertson, and incidentally I had a great deal of evidence to show that he paid unusual attention, and took great interest in the current duties of the bank.

6737. But he left the bank on the 12th of May 1864, when there were really no losses, when only three accounts had begun with loss. I am now speaking of Mr. Birch. You say in your letter of the 15th of June 1865, "Among the Government directors, Mr. Birch, the Accountant and Auditor General, who has just returned to England and retired from the service, had the greatest weight, and I believe he had great experience in the management of the bank at Madras, and much practical knowledge of banking affairs generally. He certainly possessed a weight among mercantile men in Bombay greater than could be due merely to his official position, and I believe Trevelyan and others who had long known him, thought highly of him. Of late, I am told, he devoted himself much to the bank's affairs, rather to the prejudice of his other duties. As far as close attention to the bank went,

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he is not to blame; but whether he aggravated or mitigated the secretary's mismanagement I have at present no means of deciding." Where did you get that information with regard to Mr. Birch?—It was the general result of what I heard and saw.

6738–9. Mr. Birch did not tell you that himself?—No.

6740. He tells us that he only went to the bank occasionally, and attended on board days. You do not know who told you all that about Mr. Birch?—It was not any one person certainly. I was always under the impression that Mr. Birch was an extremely competent, and an extremely attentive bank director.

6741. There is one question which I wish to put to you, and it is rather a material one. I do not want to make this Commission a mere vehicle of scandal, but at the same time I wish to ascertain facts. It has been very constantly put to me by the shareholders to examine certain Government officials as to their holding shares and allotments, and I have always done so, and have not spared them, so far as I can judge, when they were dealing with shares while they were directors, or before they were directors, but I have thought it irrelevant to examine them as to holding shares, except very casually, after they were directors. One director I examined very particularly in order to get out another fact, namely, that he was buying shares in the names of other people, and I carried this back to a previous time. But it has occurred to me since to ask you this question. Do you think that any Secretary to the Government, such as Mr. Robertson, could in any way have affected the judgment of the Government after he left the bank? Supposing that it had been proved that he had gone very largely into speculations of any kind, was he in a position after he left the bank to operate in any way upon the Government, or upon any other person so as to injure the bank? Mr. Robertson left the bank direction on the 12th of May 1864; what was his exact position afterwards?—I should like to refer to the calendar. You allude to Mr. Robertson, the Secretary to Government?

6742. Yes. I did not wish to enter into any speculations after he left the bank, because it did not strike me that they could have affected the failure of the bank; but it afterwards occurred to me that, in the way which I have mentioned, it might be material to the inquiry. Could he in any way have influenced the conduct of the Government?—Certainly not. He went home.

6743. And then he came back again. When did he come back?—I could tell by referring to the official calendars, the service calendars.

6744. What appointment did he hold; was it that of financial secretary?—He was financial secretary originally; then he went home, and I think that he vacated his appointment by staying at home. But these are matters which I could answer decidedly and without any question, if you would allow the secretary to write to Mr. Seccombe for the dates as to Mr. Robertson.

6745. I am very anxious to get at the truth in every possible way, and I want to retrace my steps if necessary. I have refused to examine Mr. Robertson with regard to subsequent transactions, because I could not see that they had anything to do with the bank; but it occurred to me afterwards that they might have influenced you and the other members of the Government.—Most decidedly not.

6746. He was not in a position to do so?—He was not in a position to do so, as far as I recollect.

5747. (*To Mr. A. D. Robertson.*) At what time did you return?—I returned in May 1866; but I may be permitted to remark that I have stated to the Commission every transaction, whether in shares or anything else, in which I was concerned, both while I was a director, and after I ceased to be a director, so that there is no information upon which it remains for the Commission to ask me any question.

6748. (*To Sir Bartle Frere.*) There is another point upon which I wish to give you an opportunity of making an explanation. What steps did you take after March 1865 to keep yourself thoroughly informed as to what was

going on in the bank? As I understand the matter you were in daily communication with the Chief Secretary to Government. I refer to March 1865, when you got the first letter of Sir Charles Wood. Will you let me look at that letter now?—There are two notes, in March and in May. They are very short, and if you will allow me I will read them. On the 3rd of March 1865 Sir Charles Wood writes, "I cannot help being in some alarm at the possibility of a crash in your Bombay speculations. We hear disagreeable rumours, and after the way in which they have been going on I am afraid that it is probable. Pray look after your bank and currency matters. We must stand clear; but I would send for your Government directors in the bank, and desire them to look very carefully into what the bank is doing, and to keep you informed." (*Exhibit marked* A 189.) Immediately on the receipt of that note I communicated its tenor to my colleagues, and to the secretaries to Government. On the 18th of May, Sir Charles Wood again wrote as follows, "Pray desire your Government directors to look after the bank's proceedings. Your advancing on shares such as you have at Bombay is contrary to banking principles; it would be contrary to the charters of the banks at Calcutta and Madras; unfortunately not so as to Bombay, but it is not the less wrong." (*Exhibit marked* A 190.) By the same mail Sir Charles Wood enclosed to me a copy of the letter of the Agra and Masterman's Bank, which was afterwards the subject of an official despatch.

6749. You did not minute or pass any order upon those letters?—No; they were confidential communications. I communicated their substance to every member of the Government and to the Secretaries, but I did not put anything on record.

6750. We will now turn to another subject, namely, Premchund Roychund's great loan. When did you first hear of it?—It was in April 1866. I have referred to a diary which I kept at the time, and which I will produce to the Commission, if they like to have it.

6751. I should like to see it, because we had a very great difficulty in fixing Mr. Lidderdale as to date.—I think that I can explain and account for Mr. Lidderdale's difficulty.

6752. When did you first hear of that loan?—I will give you the dates from the diary.

6753. From whom did you first hear of it; from Mr. Chapman or from Mr. Lidderdale?—From Mr. Lidderdale. At that time Mr. Lidderdale was taking a considerable share in the management of the bank, and I had very great confidence in him.

6754. He was president of the bank?—Yes. The diary merely says that I saw Mr. Lidderdale on the 5th of April, on the 14th, the 21st, and the 22nd.

6755. The loan was on the 27th?—I saw him on the 28th.

6756. That was the day after the loan. Read the entry of the 28th.—"28th; Lidderdale and C. Chapman; bad accounts of the bank and commercial crisis."

6757. Is there anything on the 27th?—No.

6758. He corrected his statement, and said that he was quite sure from the people in his office that he had gone to you on the 27th, the day of the loan.—It is quite possible.

6759. Are you sure that it was not on the 27th that you saw Mr. Lidderdale?—I can only speak from the diary.

6760. Did not you see Mr. Chapman at your breakfast on the 28th?—I recollect that.

6761. You did not see Mr. Lidderdale before breakfast?—My impression is that I saw Mr. Lidderdale in the afternoon, for the first time, on this subject.

6762. And he was the first person who came to you?—Yes.

6763. Then it must have been on the 27th?—That is possible, but I have no note of it. I am speaking from recollection as to time. Regarding what passed I have a very vivid recollection, but as to dates and times, my impression is that it was in the afternoon.

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6764. Then it must have been in the afternoon of the 27th, if he communicated with you first?—Then I have no note of that here.

6765. You never received visitors before breakfast, did you?—Yes. On a matter of importance I would have seen Mr. Lidderdale at any time. If you will allow me I will just mention the different dates. The diary merely says that I saw Mr. Lidderdale on the 5th of April, the 14th, the 21st, and the 22nd. On the 28th of April I have a note, "Lidderdale and C. Chapman; bad accounts of the bank and commercial crisis." On the 1st of May apparently, but it is written across, so that I cannot be quite sure as to whether it is the 1st of May or the day preceding, I have, "Lidderdale, about the bank and commercial crisis."

6766. You are not able to fix the date nearer than that?—Not nearer than that.

6767. You are quite sure that it was in the afternoon that you saw him?—That is my impression.

6768. Then if it was in the afternoon it must have been on the afternoon of the 27th, the loan having been made on the morning of the 27th, or it must have been before breakfast on the morning of the 28th?—I have an impression that it was in the afternoon.

6769. Then it must have been on the 27th?—My impression is that it was at Malabar Point, for I have a very vivid recollection of whereabouts in the room we were, and my recollection is distinct regarding what passed.

6770. You contradict Mr. Lidderdale again, because he said that he went out to Parel.—He may be right.

6771. Will you state what passed?—Mr. Lidderdale said that he was sorry to give me very bad news of the state of affairs; that Premchund was in difficulties, and had informed the bank that he must stop payment if he did not get a loan to the amount of 25 lacs; that a meeting had been called of the bank directors, and of the managers of all the other banks, who could attend, and that they had come to the conclusion that it was of the utmost importance that he should be supported; that they had called for statements of his affairs, and that it was the unanimous opinion of the directors of the Bank of Bombay, and of all the other bank managers who were present, that he ought to be supported, and that unless he was supported almost universal ruin would involve all the houses in Bombay. That was the substance of his communication, and he stated that they had come to the decision that the 25 lacs should be advanced.

6772. What opinion did you express upon that?—I said that it appeared to me that there were two points; one as to whether the advance of 25 lacs would enable Premchund to right himself, and the other as to the security which could be obtained for the advance. With regard to the first point Mr. Lidderdale observed that it must depend upon what they could learn regarding Premchund's affairs, and that they found very great difficulty in getting at a true statement of what his affairs were; and that with regard to the second point, as the majority of the banks in Bombay (I think that he mentioned one or two exceptions), whose support was worth having, would join in the support, and Premchund was prepared to give security of different kinds to a large amount, there was no reasonable doubt as to the security; but Mr. Lidderdale complained very much of the difficulty of getting at precise and complete facts in the matter, and, up to the last day on which I saw him at that time, he perpetually recurred to the same subject, and repeated his expression of annoyance at the great difficulty which they had in ascertaining the exact truth.

6773. What did you understand to be Mr. Lidderdale's object in calling upon you?—I understood that he wished to inform me of a very grave circumstance which had occurred connected with the commerce of Bombay generally, and more especially with the management of the bank. Premchund occupied a position which was like nothing that I have ever seen or heard of in any other community. He was supposed to be enormously rich, and he certainly was enormously influential. He was very able, and was consulted by everybody, and during the preceding year it was supposed that he occupied a position of unparalleled security, but there was the greatest difficulty in ascertaining how

he stood. It was observed, and it was a matter of continual conversation, when people were discussing the subject, that no bad news of any kind ever appeared to affect him, or to make him anxious or hurried in what he did, and he was believed to be to a great extent clear of the cotton speculations. At this particular time there had been a temporary rise, which had tempted a good many people to embark in cotton speculations, and he was supposed to be clear of the damage which the subsequent fall in cotton brought upon so many of those who had escaped the first crisis.

6774. Did Mr. Lidderdale come to you for your sanction to the loan?—I did not understand him to ask for any sanction. He communicated it as a fact, which was of great importance and interest to the Government.

6775. Did you express any approval or disapproval of the loan?—When he explained to me that the opinion of the banks represented at their meeting was unanimous as to the necessity of supporting Premchund, and that most of them were ready to join in the responsibility, I intimated that I thought that they had no other course open to them. I do not think that I said so in so many words, but certainly Mr. Lidderdale had a right to suppose that I considered the course which they had adopted the proper one under the circumstances. I may mention, if the Commission will allow me, as a reason for Mr. Lidderdale's forgetfulness at this time, that he was extremely fatigued and worn out, apparently; and he looked like a man who was breaking down from nervous anxiety and over-work, and he complained then and subsequently of the way in which this matter weighed upon him, and expressed his anxiety to get at the truth in the matter.

6776. Did it occur to you at that time to inquire as to the position of the bank, whether it was in a position to make so large a loan?—I looked at the returns (I was then leaving Bombay), and I asked Mr. Lidderdale to keep me well informed of how the bank stood. He did so in several letters. My impression was that he gave me very full information.

6777. Did you consider that the bank was at that time in a position to enter into so large a loan as that?—I was hardly in a position to judge. There is a letter of Mr. Lidderdale's of the 11th of May 1866 (*see Exhibit* L 1), there is one of the 22nd of May, and one of the 28th of May, and another of the 14th of June 1866.

6778. We have copies of those letters. What took place at your interview with Mr. Charles Chapman?—Mr. Charles Chapman called on me (I am not sure whether it was the first or the second time after his arrival in Bombay), and he mentioned the circumstance of this loan; and I think that I told him that I had heard of it from Mr. Lidderdale. I reminded him, as far as I recollect, that the business connected with the bank direction would be one of his important duties, but the greater part of our interview was taken up by my explaining to him why he had not been previously nominated a Government director.

6779. Did he ask your sanction for the transaction of the loan?—Certainly not; not in those terms. I discussed the matter briefly with him, and he had the same right that Mr. Lidderdale had to infer that I considered that the bank had no other course but to make the advance. I believe that I noted to him also, as I had done to Mr. Lidderdale, the two particular points which had struck me, namely, whether the loan would carry Premchund through his difficulties, and whether it was sufficiently covered. Mr. Lidderdale, I may mention, referred to the jewellery, and the landed property which had been offered in mortgage; and, regarding that also, my impression is that he spoke, at more than one interview, of the difficulty which he had in getting at the real value. I remarked, either to him or to Mr. Chapman, that this was rather pawnbroking than banking business, but that it did not seem to me that the bank had any help for it.

6780. When you were conversing with Mr. Lidderdale and Mr. Chapman with respect to the loan to Premchund, did you consider it as a transaction accomplished, or as still *in fieri*?—I considered it as still *in fieri*.

6781. Were you aware that the bank, shortly after this time, in the months of May and June, I believe, commenced a series of advances to the Asiatic

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Bank?—As far as I recollect, my information was derived from those letters of Mr. Lidderdale.

6782. I remark that he did mention to you the making of an advance. Were you aware of the extent of that advance?—I am not sure when I became aware of it.

6783. Did you interfere in any way with respect to that transaction?—No.

6784. The Bank of Bombay was almost in a state of liquidation then. You were not consulted as to whether it was a prudent or wise transaction?—No. I may mention that at that time the credit of the Asiatic Bank was supposed to stand very high, on account of the very large amount which they held of money paid by the Back Bay Reclamation Company.

6785. That was two years before. That million was paid in, in the year 1864.—But I think that it was supposed to be among their assets at the time.

6786. There is one question which I feel bound to ask you, namely, whether you invested in any shares at this time?—Certainly not.

6787. Did you enter into any speculations during this time?—Never.

6788. I think it right to say to you that we have no foundation for making the inquiry, that we have looked through all the books, and through all the transactions, and have never seen your name; but still we feel bound to ask you the question.—I am obliged to the Commission. Neither directly nor indirectly had I, so far as I am aware, or had any member of my family, anything to do with these shares.

6789. We have to look next at Act 28 of 1865. Do you recollect who suggested that Act, and how it originated?—Yes; it was originally suggested by the then Chief Justice, Sir Matthew Sausse. I met him when we were at Mahableshwur together, and we had a good deal of talk on the subject, principally with a view to the enormous amount of bankruptcy business which was likely to come upon the High Court; and he subsequently wrote to me an account of what was doing with regard to bringing forward a measure of the kind, which he considered would be of great value in promoting a speedy and inexpensive settlement of bankrupt estates.

6790. Was it his suggestion originally, or did it originate with the Bombay Chamber of Commerce?—I first of all heard of it from the Chief Justice.

6791. Was his suggestion afterwards laid before the Chamber of Commerce?—I think that it was.

6792. The Act itself was not passed by the Legislative Council of Bombay?—I am not sure.

6793. It was, I believe, passed by the Governor-General and his Council was it not?—I think that it was.

6794. Did you consider its provisions?—I did as carefully as a layman could.

6795. Did you make any minute upon it?—I do not recollect any. It is possible that I may have done so. I may mention the course which the framing of the Act took. A memorial was sent up from, I think, the mercantile body generally, asking for such an Act, and we requested (I forget whether it was done officially or not, but it was probably demi-officially) Sir Matthew Sausse to take some share in directing the framer of the Act. As far as my recollection goes, we consulted him as to the person who should be employed to frame it, but it was a matter of considerable difficulty at that time to find any competent draughtsman, who was not already overwhelmed with other business; and rather as a matter of favour, the framing of the Act was taken up by a barrister. I think that there were two who had something to do with it, but I am not sure. I know that it was made rather a matter of favour to devote the time which it required, and Sir Matthew Sausse was consulted as to the form which the draft should take. We were under the impression that it would be a very beneficial measure, and would enable the creditors of insolvent estates to get what was due to them, cheaply, quickly, and effectually; but the working of the Act entirely disappointed all our expectations.

6796. You are aware, I suppose, that the High Court of Bombay reported

afterwards against the Act?—It very soon became apparent that the thing upon which the efficiency of the Act hinged, which was the honesty and competence of the liquidator, was a thing which could not be provided for. People were appointed liquidators who had just escaped from bankruptcy themselves, and the Act was worked in a manner entirely different from that which the framers of it intended, and it added to the misfortunes of the place instead of assisting it out of them.

6797. Are you aware that only two estates had been wound up under its provisions when we were in Bombay in September last?—Yes; I heard that it had been for all useful purposes almost inoperative, and had only formed a bar to more effectual proceedings, and a cloak to a great deal of malpractice.

6798. Have you read Mr. Stuart's evidence, in which he said that he found that this Act was a great bar to recovering?—I was looking this morning at some of his evidence, but I have not read through what he said about it.

6799. It appears that the real working of the system was that, no particular time being specified in the Act as necessary for the notice of a meeting, a meeting was called for an early day, and a friendly president put into the chair, it being arranged beforehand who the trustees should be; such trustees were appointed, and there was an end of the matter; there was a friendly liquidation, and no money was recovered.—I am afraid that it was so.

6800. According to the best evidence which we have had, it has operated very unfairly upon the liquidation of the bank, and that Act has since been allowed to expire.—Yes.

6801. (*Major Innes.*) What was the information which you thought it advisable to defer until smoother times? I understood you to say twice or thrice, that there was information which you did not like to ask for then, but which you would defer until smoother times.—As I understood the letters from the Government of India, they required that we should send them a statement of every account with every firm and with every individual in the bank. To have carried out their orders literally and completely would have involved a statement of every loan which was at that time unliquidated; in fact it would have been a complete disclosure of the whole of the then existing business of the bank, and it would have shown every one who was indebted to the bank; it would have shown simply the names of the debtors and the amounts which were due, and it would have contained no sort of information with regard to the prospect of paying, so that for all useful purposes the statement would have been delusive. And on the other hand it would have shown the accounts of the honest and solvent, as well as those of the dishonest and insolvent debtors to the bank, and I understood that it would have been a very voluminous and difficult statement to have copied out; it would have had to be sent all across India, and I need not remind the Commission of the risks which there are, of information so sent being made a bad use of.

My impression was that any honest and solvent merchant who heard that his account had been treated in that way, would instantly have withdrawn his account from the bank, and that any director with a proper sense of his obligations, who was an honest man, if it had been demanded that he should send such a statement across to the other side of India, would have thrown up his office as director. That was my impression. I now understand from the Commission that it would have been an easy statement to prepare. I can only speak to what at the time was my impression, and it appears, from one expression which I observed in Mr. Stuart's evidence, that even he did not find it so easy, when he first came to the bank, to discover what the true state of things was.

6802. That would explain why you should not give that information at all. I refer to information which you thought it advisable to defer giving then, and which I understood you to say you would not mind giving in smoother times.—I am speaking hypothetically, and therefore I fear that you cannot repose the same confidence in what I say as you would in what is matter of fact. But I will suppose that Mr. Stuart had come, and that the state of affairs was not so fatally bad as he found; I should then have asked him to draw up such a statement with the aid of the Government directors, as far as he thought that it could give useful information regarding the state of the bank, and such infor-

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mation as a properly-minded banker could send to a distance. I should then have submitted that to the Government of India, and should have repeated the request, which I understood had been made more than once, that if they wished for further information they should send down some person, and have it got in the bank parlour.

6803. Then did you lay any objections at all before the Government of India, and ask them to modify their demand ?—I do not say that I did so as distinctly as I now think desirable. I may mention that my connexion with Bombay and with the bank was brought to a close more abruptly than I expected. In the ordinary course of things I should have remained on for another year, and I had every hope that, whatever the truth was, we should learn it when Mr. Stuart came out. My impression of the bad state of affairs was darkening almost every month, but until I read the evidence which the Commission has collected, I had no idea how bad things were.

6804. Did you consult the Government directors at all upon that point?—Upon which point?

6805. Upon the point of the information for which the Government of India had asked ?—I did not officially. I discussed the matter frequently, whenever I had an opportunity, with such of the Government directors as I happened to be in personal communication with; but it would be unfair to them, to give them any part of the responsibility. I deliberately deferred a full compliance with the orders of the Government of India, partly because I really could not understand what they wished for, more than they had got, and secondly because I always looked for a time when I might be able to give them information which I felt was reliable. We had given them as much information as we could from reports, each of which at the time inspired me with perfect confidence as to its being an honest and complete report. Each of them had proved to be delusive; and I began to feel that, unless the matter was probed very much more closely, it was impossible to arrive at the truth.

6806. What was the difference, if there was any difference, between the cases which you referred to the Government directors, and those which you sent to the bank secretary ?—We generally referred to the Government directors when we thought that the report of the Government directors would be that of comparatively independent parties. I always understood, and I understand now, that it is through the Government directors that the Government as shareholders should exercise the influence which they have to exercise upon the bank, and that it is in a different class of cases that we should write to the secretary for the general information of the Government.

6807. Did you ask the Government directors for this information ?—Yes. I think that you will find that there are two reports by the Government directors.

6808. I mean this identical information which the Government of India asked for ?—It may have been a misapprehension, but it would appear that that information was not called for from the Government directors.

6809. You have referred to the appointment of Mr. Harrison upon the committee as though the nomination of Mr. Harrison to that committee indicated an acquiescence on the part of the Government of India in the proceedings of the committee.—I did not intend to imply that. I only intended to imply that we, being charged with the duty of giving the information to the Government of India, made use, with the sanction of the Government of India, of such agency as we supposed would be entirely satisfactory to the Government of India. I have no doubt that in many cases where we referred to the Government directors, instead of to the secretary, we were actuated by a wish to give information which the Government of India would understand was the information vouched for by individual directors, and not written at the dictation of the board by the secretary. In the one case it would carry personal weight which it might want in the other.

6810. You have mentioned that you felt the want in Bombay of persons of experience and knowledge with reference to such matters, and especially with reference to a crisis.—Yes.

6811. Under such circumstances, on such a crisis occurring, you did not refer back to the Government of India for amplification or modification of their

very precise instructions, when you felt a difficulty in acting on them.—It had been suggested by the Government directors, and we had acquiesced in their suggestion, that further inquiry should be made by external agency. I think you will find that in March 1866, besides what I said in my private letters to the Governor-General, the difficulty of getting trustworthy and competent agency was pointed out. I mean persons who were not only unconnected with these transactions, but who, as men of business, were competent to understand the whole thing, and who had the time and opportunity to go into it; and it was pointed out that that difficulty was extreme. In the case, I may say, of Mr. Hunter, and in other cases which I could mention, I made it almost a matter of personal favour to me that he should remain in his position, both as a member of the Legislative Council, and as a director of the bank, and that he should act on that special inquiry, and no better proof could be afforded of what was the state of things than when the Governor was obliged to do that.

6812. Is it the fact that there was no one in Bombay who had gone through a similar crisis elsewhere?—It is a very remarkable fact that during the whole of this time there was hardly a mercantile man of high position in Bombay over 45 years of age. The great majority of the mercantile men were very young men considering the positions they filled, who could have had no sort of experience in the great crises in London, and in different parts of the empire. I believe that there was hardly a man in Bombay who had the leisure and the ability, and who had also the experience of the management of even a considerable mercantile house during times of difficulty.

6813. Could not Colonel Marriott, who had written a pamphlet which seems to have shown a proper knowledge of the state of affairs, have made some investigation of the subject which would have been of use?—I looked to a great deal of benefit from Colonel Marriott being a director; but as I understood the orders of the Government of India, I was required to remove him in order to make way for a stranger. It turned out that this stranger was a most competent gentleman, and one who did his duty thoroughly, but at the time I did not know his qualifications. Colonel Marriott was one of the few men who had stood entirely aloof from all connexion with share speculations; who had a very determined desire to go to the bottom of any inquiry which he took up, and who, though he was not himself a banker, or much acquainted with banking, had a faculty of making himself acquainted with whatever he had to do. He had also published, in the height of the mania for speculation, a very excellent pamphlet. He had published first of all a series of letters in one of the newspapers, and he had afterwards put them into a pamphlet form, and I considered that as far as our means in Bombay went, though he was a busy man, he having the duties of the military secretary to Government upon him, he would have done us a great deal of good in the way of letting us know what was going on; but I was prevented from further employing him, as I understood, by the action of the Government of India.

6814. That is to say, as a director of the bank?—It did not seem to me that without the appointment of a Commission with very enlarged powers we had any legitimate means of getting at the truth, except through the Government directors. That, in fact, was the key to a great many of the mistakes which I have no doubt I made, if they were mistakes, namely, that I considered that such an inquiry, made in the manner which the Government of India directed, would have been almost equivalent to an act of bankruptcy.

6815. Remembering that a person of Mr. Massey's experience and knowledge was probably the originator of the inquiry, do you still hold to that opinion?—I had no reason to suppose that Mr. Massey had any practical acquaintance with banking or banking matters, or with the working of a bank, or with inquiries of this kind; but I should have been very glad if Mr. Massey would have come. I wrote to the Governor General myself, I think, and suggested that he should visit Bombay; and the suggestion was one which I should have been delighted to see complied with, that Mr. Massey should himself come and see what was doing. It appeared to me most important that he should do so.

6816. I am to understand distinctly that no endeavour was made, there being

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a desire not to give names, to convey as much information as could be afforded without giving the names?—The only endeavour made was to fill up the form prepared by Mr. Erskine. It appeared to me, when I looked at the form, that it would give a great deal of information, and probably useful information, and that it would throw special light upon one question, namely, that of the three-lac limit to advances. I thought that it would give a great deal of information, and therefore we called for it. I never considered that it would be complete or conclusive. I am not sure whether I have even now made my meaning clear, but I believed that there were only two ways of getting at the truth; one was, by a thoroughly competent and disinterested secretary, and able Government directors (that might have been done while the bank was going on and doing business), and the other was, after the bank had gone into liquidation, or was bankrupt in fact, by such an inquiry as the Commission has now made. I would refer the Commission to the dissent which I recorded just after the Commission was appointed (a dissent from the instructions which went out), as giving my views as to the mode in which such an inquiry should be conducted in order to be effectual.

6817. As respects the different estimates, viz., the estimate which you got in September from Mr. Hunter's committee, and the estimate in the January following, you accepted, in a general way, the statement that they had proceeded upon reliable data as to the value of the securities?—Yes.

6818. You did not get any further information upon this point, or even give that information to the Government of India?—I was not aware that the information, such as it was, was not given, but I felt confident, at the time when we got those successive estimates, that each was at the time a fair estimate of the bank's position. I was not startled at the way in which each report was worse than its predecessor, because I saw that the depression continued, and that naturally the best securities must be gradually depreciated. I recollect making inquiry regarding one particular class of securities, the fall in which had struck me very much. It regarded some shares in an Iron Shipping Company. I am not sure whether they were in the bank or not, but it appeared that they had fallen very far below the then price of similar vessels, and that there were actually in the harbour of Bombay vessels which, if sold and paid for, would have realized more than the shares then stood at in the market. That was one particular fact which struck me with regard to property easily convertible and removable, and it was accounted for to me in this way—that everybody was at the time so pressed for money that, although under ordinary circumstances they would have bought these vessels and sent them away for use elsewhere, at that particular time there was nobody who had the money to give for them, and that in consequence this property was temporarily depreciated even below the amount which it might have fetched if it had been put into the market and sold by auction.

6819. Was that the opinion of authorities outside Bombay?—No; I am speaking merely of what was in the place.

6820. No extra-local opinion was called for on the value of these shares?—No. What struck me was, that the shares of an apparently well-managed Iron Shipping Company, with their ships in hand, were then depreciated, not only far below what had been paid for the ships, but below what was the value of the ships, as tested by tenders which we then had at the secretary's office for the Government.

6821. (*Mr. Melvill.*) With regard to the advances on shares, and the resolution of the 12th of April 1865, authorizing advances on shares, did the Government directors inform you that that resolution had been passed?—I forget how I first became aware of it, whether it was officially or demi-officially.

6822. So far as the papers before us show, the first intimation which you had of it was in a letter of the Secretary of State, written in consequence of a letter which he had received from the manager of the Agra Bank.—Can you mention the date of it?

6823. The letter of the Secretary of State to you was dated the 2nd of June 1865.—I think that I was then already aware of the fact.

6824. I think that you must have been so, for on the very day after the resolution was passed, there appeared a leading article in the Bombay Gazette

which stated, "the directors of the Bank of Bombay passed yesterday a resolution which in effect reversed the policy the bank has adopted since the commencement of the present financial depression in Bombay. The older banks in general have, we think, acted during the last month with an excess of timidity that has tended to bring on a crisis which threatened to ruin this city." "The directors of the Bank of Bombay have seen the folly of the course hitherto pursued, and have resolved to make from to day moderate advances in proportion to the market value on the shares of chartered banks and of the principal land companies. On Commercial Bank shares, for instance, they will give as much as 50 per cent. premium, on Back Bay rupees 20,000 premium, on Elphinstones 1,000 premium, and so an. The risk incurred by the bank is very slight."—I have no doubt that it attracted my notice at the time. Those articles in the Gazette were generally written with great ability, and I read them with great attention.

6825. Looking at it now, it appears on the very face of it that the resolution was very imprudent in authorizing the advance of such large sums on the premia of shares; and it is clear that as soon as the Secretary of State was informed of it, he saw how mischievous it was, and directed interference; and you at once seemed to see it then, and you said "the expectation that the bank will not ultimately lose much on these shares of course does not remove the objections to such advances by the bank." Do you not think that the Government, having become acquainted with the resolution almost as soon as it was passed, might have interfered before the mischief was done?—I am not certain, but I think I did interfere in the way of cautioning the Government Directors. I think that I wrote to Mr. Chapman. I am not sure whether I can find the letter. That was in 1865, I think.

6826. In April 1865?—I find that I wrote on the 8th of May 1865, "I hear that the Bank of Bombay has been advancing on Back Bay shares to an amount far beyond their present market value. The figures given to me were that on 131 shares, on each of which 5,000 rupees had been paid up, the bank had advanced as though each was worth 25,000 rupees, which is far above their present market value. There may be a mistake as to the figures, and it may be very safe, but I tell you what I have heard, that you and Lushington may be on your guard, and take care that the advance on shares is not overdone. Hitherto, as far as the published returns show, the bank has been very circumspect."

6827. You said that you were directed by the Government of India to remove Colonel Marriott?—Yes.

6828. And I see that in the Confidential Appendix you put it still more strongly; and you say, referring to Colonel Marriott, I suppose, "the best man of all, was removed by the Government of India in order to put in an officer of their own"?—That, I think, was speaking inaccurately.

6829. Neither statement appears altogether accurate, for the letter from the Governor General in Council, of the 10th March 1866, says, "The Governor General in Council accordingly requests that his Excellency the Governor may be moved to take the foregoing order, appointing Colonel Marriott and Mr. Norman, into his early re-consideration, in order that Mr. C. E. Chapman, the officiating accountant general, may be appointed a Government director in the place of one of those gentlemen." Was not it a pity that you removed Colonel Marriott and not Mr. Norman, who had no experience?—Colonel Marriott was then anxious to go home, and, having been ordered to remove one of them, I did not feel that I was justified in asking him to stay.

There are one or two points which the Commission have asked about, upon which I should like to observe. I am not sure whether I mentioned specifically the difficulty of ensuring secrecy.

6830. (*President.*) You mentioned that the other day. We shall be happy to hear anything which you think proper to tell us?—It is merely that we were asked to send telegrams regularly on the subject, and the telegraph department was at that time in a very disordered state.

6831. I believe it to have been utterly untrustworthy.—And there were frequent losses of important papers sent by post; papers which could not be traced at all. I think that I could mention three or four instances in which,

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with respect to very important papers which had been sent, there was no trace of them afterwards; and that applies to some papers connected with this inquiry. I think you will find that it is stated that the papers were not traceable. Then there is another point regarding the additional share capital. I did not know what was the point to which the questions were directed regarding the previous consent of the Government.

6832. They were not directed to that point at all. Your consent was not required under the Act, and therefore there could be no point of that kind. We only wished to have your opinion upon that matter, as being a competent person to form an opinion?—Then there were two releases; Mr. Brown's release, and the release of Atmaram Madhowjee.

6833. You wrote a letter to the Government directors about Shapoorjee Dhunjeebhoy and Atmaram Madhowjee. It was received by the bank directors, and then it was said that it should stand over until Mr. F. S. Chapman returned. Did you ever get an answer?—Apparently not. But the point which I wished to mention was, that, as appears from these abstracts, the initiative in both these cases was taken by the Bombay Government; and I find, on reference to them, that the impression which I mentioned to the Commission is borne out, as far as I can see; namely, that in the matter of Mr. Brown we had acted before the Governor General noticed the matter, and that it was apparently the report which had gone in from our Government, sent by the Accountant General to the Governor General, which led to his addressing the question to us.

6834. I am aware of that.—In both these cases the inquiries were reported in these abstracts to the Secretary of State and the Governor General.

6835. I shall be very much obliged to you if you can point out any answer to that letter with regard to Shapoorjee Dhunjeebhoy and Atmaram Madhowjee?—I can find none. I mention Mr. Brown's case because the Government of India have applied a very unusual term, namely, "scandalous proceeding," without mentioning whose conduct they considered "scandalous."

6836. I think that the words are, "the scandalous way in which the bank was managed."—The Commission will permit me to add that I have brought a copy of Colonel Marriott's pamphlet with regard to the share mania.

6837. I should like to see it.—I will leave it with the Secretary to the Commission. Then there are the proceedings of the Legislative Council regarding Act 10 of 1863.

6838. We have all those proceedings.—They show the members who were present at the time (*producing the same*). Then there is a question, which I see very often comes up incidentally, regarding the Back Bay shares, as to whether they were at a speculative value or not.

6839. I do not remember putting any question about that.—I am not sure whether it comes within the scope of the Commissioners' enquiries to go into that question,—I mean the excitement regarding the speculation caused by the action of the Government in their dealings with the Back Bay Company. It is made a very great point of, in all the published papers, by the shareholders.

6840. No doubt the Back Bay scheme was a great fillip to the mania at that time. It was one of the most important schemes brought forward at that period. I do not know that anybody would doubt that fact. The Government, I think, very soon refused to have anything to do with it?—It was that refusal which, according to my judgment, was the cause of the immense speculation.

6841. The Back Bay shares were then put up to auction, and were run up to that enormous price?—The concession, as it is called, to the Back Bay Company had been offered by Sir George Clerk to the Railway Company, and had been refused by them. It subsequently became necessary to carry the line of the railway to Colaba; and the Company which was subsequently formed as the Back Bay Company came forward in conjunction with the engineer and officers of the Railway Company, and proposed to carry the line and to make the reclamation. There was no doubt that for the Government it was a very good scheme, because the Government, as a part of the price of the concession of the noxious foreshore of the island, were to receive land, which, with the approaches

to it, saved them an outlay of probably a million of money, and they were to receive this large amount of land without any outlay on their own part. As the scheme was originally submitted to the Government of India, we proposed that it should be on the footing of a guaranteed railway company, and that the Government should be part shareholders and part managers of the company. I insisted very strongly upon the necessity of this connexion, because I considered that enterprises of such magnitude, affecting so many public and private interests, ought not to be undertaken by any private body without the Government having a potential voice in their management. The Government of India and the Secretary of State took a different view of the matter, and declined to take up the shares which had been reserved. They were sold by auction at, I believe, a sum very little short of two millions, the greater part of which was subsequently lost in the Asiatic Bank.

6842. We have heard that it was a million and a quarter?—That sum was paid over the auctioneer's table for the shares, with the liabilities upon them, and it always appeared to me that the absence of Government control in that matter was one of the most serious aggravations of the share mania.

6843. Mr. Cassels, who gave us some evidence upon that point, left us some books in which, I think, we shall find the whole history of that matter. I propose to read them very carefully.—Then there is another point which I should like to mention to the Commission, because it may to some extent affect their judgment on parts of the evidence, not affecting the Government, but regarding particular persons. I allude to the evidence taken before a Commission on Prices in 1863. It is a very curious collection of valuable papers, showing the enormous increase of prices in Bombay in a very short space of time, and the almost impossibility of the lower classes of Government servants living upon their salaries. If the Commission wishes I will send a copy of it.

6844. We should like to look at it, but we should not put it amongst the evidence.—It bears very much upon the morality of the case in two ways, because it shows how much greater the temptation to the poorer classes of Government servants was, and also how extremely difficult it was to get reliable agency at the ordinary rates of pay. There is another point, namely, regarding the encouragement which the memorializing shareholders state was held out by Government to speculation of all kinds. There were a vast number of schemes of reclamation and of public improvement of every kind, including the reclamation of almost the whole of the foreshore and the flats of the island, which were submitted, I think, to the number of fourteen large schemes, to a Commission who reported in 1865; and, without one exception, all those schemes were rejected. There is another point which has been referred to in parts of this business, namely, the delay in passing the Time Bargain Bill; which, in the opinion of Mr. Rustomjee Jamsetjee, and a great many other people, was one of the causes of the unnatural speculation. There was one crisis in July 1865, when many contracts were held in suspense for many weeks, and I believe months. I mention that now, because it seems to me that, with regard to the general policy on which the Commission may wish to express an opinion, that was a measure of very great importance.

With reference to my answer to Mr. Melvill, which has struck me as implying that there was a greater scarcity of honest or competent persons in Bombay than anywhere else, I should like to state that what I simply meant was, that at that time all those who were, from their character, and position, and experience, qualified to make such an inquiry into the affairs of the bank, were so absorbed in their own private business, that the Government would have found the greatest difficulty in obtaining the requisite agency.

ARCHIBALD D. ROBERTSON recalled, and further examined.

6845. (*President.*) Were you present when Mr. Mangles was examined?—I happened to have left the room at that time.

6846. I will read to you what he said. (*The President read from Mr. Mangles' evidence at page* 89 *suprà, from question and answer No.* 1529 *to question and answer* 1537 *inclusivè.*) Do you remember that transaction?—I have no recollection at this date of any reference being made to me by Mr. Mangles

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upon this matter, but as he states that he wrote to me upon it, I have no doubt that he did.

6847. The importance of the thing is this: that it would prove that on the 10th of May 1864, two days before you left the direction, you knew that the directors of the bank were lending money upon promissory notes only?—I knew that it was always the habit to lend on joint promissory notes without any further security; but whether Mr. Mangles put it to me that we were lending upon joint promissory notes, I cannot state without seeing his note. I certainly must have been misled as to his enquiry. I was not aware, until this enquiry was being prosecuted, that a promissory note in the name of one person was considered a negotiable security.

6848. Mr. Mangles says that you told him that you thought that it could be done under the charter?—I must have given the opinion under the impression that the note had two names to it.

6849. You do not recollect the transaction?—I do not.

6850. Do you still adhere to your opinion that before you left the direction you were not aware that the bank was in the habit of advancing money upon a single name on a promissory note?—Certainly.

6851. Notwithstanding this evidence of Mr. Mangles?—Certainly.

6852. When did you go on leave after you left the direction?—I went home on the 29th of September 1864, and I returned to India (I think) on the 12th of May 1866, and went almost at once to Scinde. I did not remain in Bombay.

With regard to allotments and shares which I had, I wish to state that not only has the Commission information as to what I had whilst I was a director, but subsequently to my being a director of the bank I have mentioned all the shares which I had up to my leaving India.

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ANTHONY MORRISON sworn and examined.

6853. (*President.*) You were the manager of the Asiatic Bank at Bombay?—I was from the commencement till its suspension.

6854. I believe that you knew Mr. Blair very well?—Yes.

6855. And Mr. Donald Robertson?—I did.

6856. You told us, in the letter which you wrote to us the other day, that you were prepared to give us some useful information concerning the Bank of Bombay and its practice. We shall now be happy to hear anything which you have to say; we believe that you had great means of knowledge.—I wish, first, with your permission, to refer to the subject of some loans.

6857. You have come here, I suppose, to explain some observations which have been made regarding you, but we want chiefly to hear what will be useful to the object of this enquiry?—Of course I am ready to answer any questions if you have any questions of that kind to ask.

6858. I understood from the terms of your letter that you had come here to volunteer some general information?—I said in my letter, I think, that I had some information which was important to this enquiry.

6859. What is that information?—On the subject which I have just mentioned; for instance, loans from the Bank of Bombay.

6860. I will just point out the loans which have been spoken to in the evidence before us. It was proved before us that on the 6th of December 1864, or thereabouts, you entered into a joint transaction with Mr. Tracey, Mr. Blair, and Premchund, in Elphinstone Land and Press Company's shares, in which there was a gain of 1,62,000 rupees.—I have no note of it, but there was such a transaction.

6861. Have you anything to explain with regard to that transaction?—No, only that no money was borrowed on my account from any bank whatever.

6862. That has nothing to do with the Bank of Bombay?—No, but of course I must look to the colour which has been given to the reports in the Bombay papers.

6863. The only object which we had was to show that Mr. Blair was engaged with others in a joint speculation, that is how your name has been brought in. —Yes; but indirectly my character, I consider, has been attacked. The transaction which you have just referred to was one which took place about the time that the Elphinstone Land Company was going to divide its stock into small shares, if I recollect rightly. I also got information with some others, that the shareholders were to be greatly benefited in that way. I was just leaving to go up to Central India at the time; and I did agree with Premchund Roychund and the others, that I would take a share in it, making the provision that my interest in it should not extend beyond a fortnight, and that it should be closed up one way or the other. The transaction, as I understood, never involved any outlay whatever.

6864. You made 1,62,000 rupees by it?—Yes.

6865. The next transaction which has been spoken to is a transaction which commenced in April, and extended till August 1865, with Mr. Tracey, Mr. Hannay, and Premchund. Mr. Blair's name was not mentioned, but he was interested in your share in that transaction,—that is the Back Bay transaction, which extended from April to August 1865. That was a transaction to the extent of 12,59,860 rupees in Back Bay shares?—Yes.

6866. The only point which we care about is, whether Mr. Blair was interested to any extent in your share in that transaction?—Not in my share.

6867. In whose share was he interested?—Mr. Blair originally agreed to take an interest in five of those shares; it was a transaction of 25 Back Bay shares, not involving anything like the amount which you say. And I think it right to explain, with regard to that matter, that, whatever representations were made to the other parties interested, Mr. Hannay and myself went into that transaction specially upon what we considered public grounds. Premchund Roychund represented to us at that time that it would be a very great advantage to the Asiatic Bank, and also, I believe, represented to Mr. Hannay that it would be an advantage to the Bank of Bombay, if at that particular time we would allow him to buy 25 of those shares. He came to Mr. Hannay and myself. Not only was I the agent of the Asiatic Bank, but Mr. Hannay and I constituted at that time a sort of committee. I had more powers in that way than I should have had simply as agent; and we considered, on Premchund's representations, that the transaction ought to be entertained. He represented that the shares would otherwise be allowed to fall far below what we honestly considered their real value; and it was with no hope of making profit out of the transaction, but simply to counteract what we considered, as represented by Premchund, was an unfavorable run upon the shares.

6868. In fact, you wanted to bolster up the shares?—Not to bolster up the shares, but to restore them, or to keep them to what we considered the real value. These were our ideas at the time, and it was to be done in the name of Premchund's manager, Dossabhoy Dhunjeebhoy, in order to keep it entirely free from Premchund's own transactions. At the same time we gave Dossabhoy Dhunjeebhoy to understand that we would be personally responsible to him for the loss on five shares each. A very short time after this was entered upon, Premchund wanted us to buy another 25 shares, at a premium, I think, of 25,000 rupees. Mr. Hannay and I consulted about it, and we came to the conclusion that we would not do it on any account, and we would not do it. We were not satisfied that Premchund's first representations were correct; we were very uneasy about it, and we said to him that we thought that the object for which the first transaction was entered upon should by that time have had its effect. He pressed us very much to do this, and said that he had an order from independent men to buy 100 shares, mentioning, I think, the name of Cawasjee Jehangeer as a man of great influence; and he said that it would have great effect upon the shares; but we still declined to do this, and Mr. Hannay said to Premchund, "If you are going to buy those 100 shares, you should take over these 25 shares on your own account, because we do not wish to keep them on longer." From that time it was understood that he would be himself responsible for the thing one way or the other, either to sell the shares to those parties from whom he said that he had orders, or to take them over. Shortly after that he took them over into his own name, paying, I think, a considerable sum for the large loss upon them.

6869. Eventually he did take them into his own name. I am aware of that,

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and he wrote off the debt as against Mr. Tracey; that appears in the evidence. Do you mean to say that you never accepted the second batch of 25 Back Bay shares?—We did not.

6870. It is so entered in Premchund's book. Have you any books of account to confirm your statement?—No.

6871. Premchund's evidence of course will be open to observation, but his evidence is supported by books which had been out of his own custody for two years, and it is impossible for us to suppose that he could have concocted the entries in any way with a view to our inquiry. Therefore, if we should come to balance testimony upon any point of that sort, we should like to have your books and your testimony against Premchund's testimony and his books.—I have no books upon the subject, because Mr. Hannay and I were perfectly satisfied that he had not carried out the original intention, but had mixed up some of his own shares; and if Mr. Hannay were here I have no doubt that he would confirm it in this way, namely, that he wrote home some statement of it.

6872. What was Mr. Blair's object in taking five shares?—I believe that it was put in this way by Premchuud at the time, namely, that we were all parties who had benefitted by those shares in the original allotments, and also that Mr. Blair was a party interested in that way in the Company; but I merely know what Premchund came and said when Mr. Hannay and I were together, and he may have given different versions of it to the different parties.

6873. As I understand you, you put the transaction in this way, namely, that it was entered into, not with the view of making any profit, but with a view to keeping up the price of Back Bay shares at that time. It is difficult to suppose that Mr. Blair, who at that time, I believe, had five shares, should be entering into that speculation with a view to keeping up the shares in the possession of the Bombay Bank?—I cannot say anything about what his object was, but I know that Premchund's statement to us was in these terms.

6874. The entries in his book show that it was a speculation in 50 Back Bay shares?—The second 25 shares I know that we would not consent to take, and that for those Premchund was entirely responsible. The second 25 shares were immediately after the first. The second 25 shares I know Premchund was allowed to invest in, entirely in his own interest and that of the bank. He was a responsible person at the time.

6875. As to the next transaction, evidence has been given to us of an account kept in the Asiatic Bank, in the name of Nusserwanjee Ruttonjee and Company, and that it was an account which was so entered by the influence of Premchund, and it is stated that you and Mr. Blair had an interest in that account?—That is entirely untrue. Nobody had an interest in that account, except Premchund, and Nusserwanjee and Company. When it happened I can positively declare that there was not a single name mentioned to me in connection with that account.

6876. Have you a copy of that account?—No; but I have the date on which it was opened.

6877. Do you remember all the debits to that account, and that there were no credits?—Yes, I remember the debits; and I remember that a good deal of additional security was got afterwards, after it was transferred.

6878. There was a purchase of shares, and all the money for the purchase of those shares was carried to the debit of that account?—Yes.

6879. Who was interested in that account?—I can positively declare that Premchund came to me, and said that the shares were on account of Nusserwanjee and Company, and with their consent; and I believe that it is in evidence before you by Mr. Baker, that the shares were sent in on account of Nusserwanjee and Company.

6880. Do you know that Nusserwanjee and Company repudiated that account the moment that it was brought to their attention by Mr. Baker?—Yes, I believe they did.

6881. They said that they knew nothing at all about the account?—Yes, they said that they knew nothing at all about the account at that time.

6882. How can you account for a transaction of that kind being so entered under your management?—I account for it in this way, that Premchund

Roychund held himself out as being a partner in the firm of Nusserwanjee and Company. I knew that he was not in the habit of signing the firm's name, but up to that very time he had been in the habit of conducting their business, and entering into transactions on their account to a very large extent.

I am also aware that the reason of the quarrel between Premchund Roychund, and Nusserwanjee and Company at this time was, that he had got from them large amounts of their bills on China and Calcutta on the promise of a cover in opium and rice, if I recollect rightly; but being very much pressed at the time, this cover was never shown to be in existence. Nusserwanjee and Company, I believe, were very much annoyed at this. I knew nothing of it until we pressed Nusserwanjee and Company to become personally responsible for this account.

I found out that the partnership of Premchund was questionable in the firm of Nusserwanjee and Company, and it was only then that they repudiated the account, and said that they had never authorized it.

6883. Who opened that account?—Premchund Roychund.

6884. What authority had he to open an account in the name of Nusserwanjee and Company?—He said that he had their authority.

6885. Did you allow anybody to open an account in another name who came in and asked you to do so?—No. I never opened an account in the same way before, but I have told you the special circumstances, namely, that Premchund Roychund was held out to be a partner.

6886. The real fact is, that Candass Narrondass was a partner, and he had supplied Candass Narrondass with funds?—I have found that out too, and I believe that the brother of Premchund was a partner.

6887. How did you let that account go on without having communication with Nusserwanjee and Company?—I had communication with them.

6888. Do you mean to say that Nusserwanjee and Company knew that the account was in existence?—It was only intended to be a temporary account. By this time Premchund was getting into deep water, and Mr. Baker was writing to them to pay up the account; they were at Premchund, and we were at Premchund, pressing him.

He told me that it was only one of the partners, namely, Hormusjee Nowrojee Saklatwalla, who objected to this account, but old Nusserwanjee, the original partner, was perfectly willing to accept it; the other partner, Hormusjee Nowrojee, had been making a quarrel with them on account of these transactions.

6889. Are you prepared to deny the statement of Hormusjee Nowrojee, a very respectable witness, that he had never heard of this account?—That statement of Hormusjee Nowrojee is quite consistent with mine.

6890. How is it consistent?—That they repudiated the account when it was brought to their notice, and that the account lay in that way, it being debated between them how it should be settled, as I was pressing both Premchund Roychund, and Nusserwanjee and Company, and afterwards pressing for securities, which Premchund says in his evidence were merely formal securities, but which were valuable securities, and there was his own personal guarantee.

6891. Have you that guarantee?—No; but I have a telegram from Mr. Steel, the liquidator of the bank, saying that it is being sent on.

(*The witness here produced the telegram.*)

6892. How was that account operated upon before the repudiation?—It was operated upon by Premchund.

6893. Was not it operated upon by slips which were sent down by you?—No; I distinctly deny that.

6894. Mr. Baker has said so.—Mr. Baker has repudiated slips to the very last. It was operated upon by a voucher from Premchund in every case, and it was sent in to the account of Nusserwanjee and Company. As the subject of slips has been mentioned, I should like to say a few words. As a banker, I have looked upon that as one of the most damaging statements which have been made regarding me in this inquiry; and I consider that if I had been in the habit of using a customer's name in that way for my own purposes, or for

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any purposes in the way that Premchund alleged in the first place, I should have been unworthy of my position. He said that Mr. Blair and I operated upon his account by slips, debiting and crediting the account. This account of Nusserwanjee and Company having turned up afterwards, I think that you considered that there was some justification for his statement, although literally it was quite untrue.

6895. It is unimportant to us; we can only give you an opportunity of explaining the matter. I think that it is a very weak case against Mr. Blair; and you say that Mr. Blair had nothing to do with this particular transaction; if so, I have no interest in it whatever.—Mr. Blair, so far as I know, had nothing to do with it. There was no name mentioned to me, except Nusserwanjee and Company, and it was unwarranted. Then I should like to remark that you characterized those entries as fraudulent entries.

6896. Upon the evidence before us they appeared to be so.—I should wish to say, that if that remark applies to me, or to my subordinates in the Asiatic Bank, it is quite incorrect. Possibly the statement, as regards Premchund, to induce me to operate upon the account, may be considered fraudulent. One of the partners of Nusserwanjee and Company came to me, on two occasions, when I was in Bombay, and stated that a book had been presented to him by the Commissioners with a part of it covered up, showing him some pencil marks in that account, and I rather think that you spoke of those marks as hieroglyphics.

6897. No; if I recollect distinctly it was in very plain figures, and was sworn to be in your handwriting.—It is with reference to that that I wish to read out this letter to you. Hormusjee has certainly said that you were under the impression that my initials "A.M." appeared in my writing, indicating the impression of Premchund that I had something to do personally with this account. This letter is from Mr. Barker, the keeper of securities in the Asiatic bank. This is to explain what those marks were.

6898. Mr. Barker was examined before us, and had a full opportunity of explaining the matter then. He was examined fully upon all these points; at least the whole question was before Mr. Baker, and he might have told Mr. Barker to give us the evidence. We cannot receive his letter without any cross-examination.—It is a very important thing. The marks were "31 shares, name A. M. Six in the name of the bank." He has not put down exactly what it is, but it was that; it was in blue pencil.

6899. The inference which we drew from that was that 31 of those shares were to be carried to A. M's account, and it was suggested that "A. M." was Anthony Morrison.—I said, "You surely do not believe that such a thing as that was put down in my handwriting;" and he said, "I believe that the Commissioners are under the impression that that is the explanation of it." I went to Mr. Steel, the liquidator of the bank, and he said, "It is some mare's nest." The day that I left Bombay I got hold of the book, and I got the proper explanation; and that one thing alone, I think, shows the reason of the inference which was drawn.

6900. Will you give your explanation of it; we cannot receive that letter? —My explanation is that 31 of the shares were standing in my personal name, and six of them in the name of the Asiatic Bank.

6901. This is a copy of the entry (*showing the same to the witness*). The original was sworn to be in your handwriting.—That is Mr. Barker's. That is the memorandum to which I have just referred.

6902. It certainly coincided with the rest of the evidence. What is your explanation at this moment of those 31 shares in your name?—That they were put in my name as the nominee of the bank. Most of the Back Bay shares stood in my name, and some of them were put into the name of the bank; but nearly all the shares which we held were put in my name.

6903. Then do you deny that you had any interest whatever in those 31 shares?—Entirely, or in any part of that account.

6904. And the "6 A. B. C." were Asiatic Bank Corporation?—Yes.

6905. Then when you were transferring, why did you not transfer the whole 37 to A. M., instead of 31 to A. M. and six to the Asiatic Bank Corpo-

ration?—Part of the shares stood in my name, and some of them in the name of the Asiatic Bank; some of them were in the name of Mr. Baker. I cannot explain it just now, but I have no doubt that I could explain it. I declare that it had nothing to do with me personally.

6906. Do you mean to swear positively that this account was never operated upon by slips?—Not without sufficient authority from Premchund; the slip would not be any authority; there would be a letter handing in so many shares, and saying, "Debit account for a certain amount." I cannot understand it otherwise. For every transaction in the books we have debit and credit slips.

6907. You would have cheques?—We have cheques for the debit.

6908. There seem to be letters of Premchund Roychund accompanying the slips; he was the person who bought the shares; we have some of the slips with Premchund's notes attached to them.—These are the regular office slips to show of what kind the loan was, and what the terms of it were; but these were accompanied by vouchers, that is to say, by securities. I have had a long experience in banking both in England and in Scotland, and I say that such letters handed in, with the securities accompanying them, are taken as quite equivalent to cheques. Besides that there is the question of its being entirely irregular. Premchund said that I was debiting and crediting without his taking any cognizance of it. That is utterly untrue.

6909. Do you mean to say that this was a regular account operated upon by slips?—The matter was not regular, inasmuch as Premchund stated that he had the authority of Nusserwanjee and Company, and it came out that they would not recognize it, whether they had given it or not; but I consider that the slip is not an irregular part of the transaction, if it was properly supported by the parties.

6910. I never had a strong belief that Mr. Blair was interested in that account to a very great extent, because it began several months after he left India. The only other point is the matter of the Asiatic Bank. Do you recollect the transactions with regard to the Asiatic Bank?—I am not quite sure that I understand what you refer to.

6911. I allude to the cash credit which the Asiatic Bank obtained from the Bank of Bombay. A cash credit was opened on the 14th of May, and you promised some Government paper, and then you gave some other security. That Government paper, it appears, was never received by the Bank of Bombay; Mr. Baker admits that.—I have no note about that, but I remember that there was a correspondence with the Calcutta agent.

6912. That is another transaction; but I am talking of the period when the first list of securities was made out. You promised to hand over to the bank some Government paper. Do you know why that Government paper was never received?—I cannot say. The first letter which I have is dated the 25th of May, but I have not a letter of the 14th of May.

6913. You are not able to explain why you never did send that Government paper?—I cannot do so from memory.

6914. Do you remember promising, on the 3rd of July 1866, that your Calcutta agent (who happened to be Mr. Steel) would send you a remittance, and that you would pay, on the arrival of the China mail at Calcutta, $5\frac{1}{2}$ lacs?—I have no note of it, but there was some promise of the kind, and my explanation of it is that, instead of the remittance being sent on from China in bullion, they sent it on in English bills, and that the bills were unsaleable at the time. There was a great want of credit in Calcutta, and instead of placing the full produce of those 50,000*l.* worth of bills at my disposal, the Calcutta agent was only able to raise 20,000*l.* of the amount; I believe the Bank of Bombay got the two lacs. The other 30,000*l.* worth of bills, without consulting me, he sent on to London.

6915. The fact is that the Bank of Bombay never got that $5\frac{1}{2}$ lacs.—I fancy that they did not get the whole of it.

6916. They got 26,000*l.* Do you remember what passed about that?—No; I can only refer to the various letters.

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6917. How did Mr. Robertson take that?—It was not specially Mr. Robertson, because I had to go to the directors about it. I had frequent letters from Mr. Robertson, and a great deal of trouble about this matter.

6918. You are not confusing it with some subsequent transaction, are you?—No; I think not.

6919. The Bank of Bombay very shortly afterwards opened a new cash credit with you, so that they could not have been very angry. What was the conduct of the Bombay Bank officials on that occasion; were they annoyed at not getting that 5½ lacs?—I cannot remember the circumstance so well as to say exactly. I know that they were once or twice very anxious about the account, and on the 13th of July 1866 I remember making a new arrangement.

6920. There was then a new cash credit which was extended up to the 1st of September?—Yes, to the extent, I think, of 20 lacs.

6921. You promised them then five lacs; two lacs lien on funds then on their way from Calcutta, and three lacs lien on Java guilders at Calcutta to be remitted to Bombay. Neither of those ever got to hand. Can you give any explanation of that circumstance?—Mr. Baker has marked opposite these two lacs from Calcutta "Received."

6922. From all the evidence which we have had, there is no doubt that those two sums never were received.—I can explain about the three lacs of guilders, at least I can show that there was a telegram which you saw at Bombay.

6923. No, I did not see that telegram; I wanted to see it.—The terms of it were represented to you, at any rate. It represents that 70,000*l.* might be interpreted as dollars, and it is said, "You may draw at three days sight against them," that is 15,000*l.* I would say that the inference which might be drawn from that is, that I had misinterpreted that telegram, and in fact it has been suggested in the evidence that I wilfully misrepresented my position to the directors of the Bank of Bombay.

6924. That was the evidence of Mr. W. Steel, who was your own agent at Calcutta at the time. In short his evidence was this: he said, "There was no word in our cipher to represent 'dollars,' and therefore I put 'pounds' in the telegram, but Mr. Morrison ought not to have misunderstood that, because it had been previously arranged, and in previous telegrams, the word 'pounds' had been used for the word 'dollars,' and there never had been any mistake." And then Mr. Steel went on to say, "There could be no mistake, inasmuch as the latter part of the telegram expressly told him that he could only draw to the extent of a lac and a half."—That is what I wish to explain. I say that I did not wilfully, and intentionally, deceive the directors of the Bombay Bank as to the amount of securities which I could lodge on the part of the Asiatic Bank; and that I am guiltless of having done more than what I was bound to do, namely, to use every honourable exertion to obtain assistance for my own bank, on terms which I believed to be fair to the Bank of Bombay. The explanation of this telegram is, that it was not in my hands for two days after I wrote this letter of the 13th of July, and Mr. Steel, and Mr. Baker, in Bombay did not refer to the real telegram under which I acted. I now produce it. (*Exhibit marked* T 8.) It is dated at Singapore, 13th July; it came into my hands on the 15th of July 1866. This is the cipher telegram and a translation with it.

6925. What does "dissipated" mean?—"Dissipated" means 70,000*l.* What is wanting in the code is something as applied to dollars. We have the word "assets," which means dollars, but then there is nothing to give the quantity of dollars unless it simply said "70,000." "Dissipated" means 70,000*l.* sterling, and the way in which Mr. Baker and I misunderstood it, at the time, was that the most of our telegrams in regard to bullion were from London.

6926. What would you imagine that the word "dollars" was put into that telegram for except for dollars?—The idea was that we had taken it for 70,000, and that the latter part of it is contradicted. Mr. Steel gave his evidence, which is very much against it, and I have his letter now contradicting it.

6927. We cannot receive letters, we have his evidence upon oath. How do you prove these telegrams?—There is the date at the foot when the telegram was received.

6928. This is not the original telegram, is it?—Yes; I got it from the Asiatic Bank at Bombay, and this is the translation of it.

6929. Are these papers certified in any way by the liquidator of the Asiatic Bank?—No. I now produce the telegram upon which I acted. (*Exhibit marked* T 9.) You will observe that the first telegram makes no mention of Java guilders. This (T 9) is the message which I acted upon; it is from Singapore, and dated the 2nd of July 1866, and it reached me on the 10th, three days before I wrote this letter to the Bank of Bombay; this says, "Hong Kong dollars £60,000 to Calcutta."

6930. That is the same thing.—I fancy that that is the same thing, "Singapore lacs exhausted"—"exhausted" means three lacs.

6931. This telegram (T 9) is what you say that you acted upon?—Yes. I could not have acted upon the other; it has no mention of guilders, and was not in my hands, until two days after I wrote the application to the Bank of Bombay.

6932. "Hong Kong dollars £60,000 to Calcutta." What did you tell the directors that you understood that to convey?—I was very candid about it. I did not conceal it in any way. Mr. Baker has put the translation in blue ink, "three lacs of guilders." The "£60,000" is not in his handwriting; that was merely a pencil memorandum made by Mr. Steel. I have apparently not included the dollars in my list of securities at that date. I have included the guilders, and not the dollars. After summing up the total of securities on that date, including the three lacs of guilders, I say, "At Calcutta, Mexican dollars, the amount indicated in cipher, and the message indicates six lacs, but I do not think that it can be so much." From what I knew of the position of the Singapore Bank at the time, I doubted whether it was so much, and I did not concur in the translation of it as 60,000*l.*

6933. "Dollars £60,000;" that meant 60,000 dollars?—I apprehend so, but it is not quite cleared up yet.

6934. 60,000 dollars was not three lacs?—60,000*l.* is the only thing which the word "credits" refers to; it only refers to sterling money.

6935. You explain that you had a word for "dollars"?—Yes, "assets."

6936. And the word "credits" would imply 60,000*l.*?—Yes, 60,000*l.* sterling.

6937. Your agent was forced to use the word "credits" to express 60,000, but he also put "assets," which means "dollars." It is impossible to account for the use of the word "assets" in the telegram, except upon the understanding that dollars were meant, and not pounds.—Our idea of it was 60,000*l.* worth of dollars.

6938. There is another item in which you failed. On the 23rd of August you gave additional security, thus described: "In Calcutta proceeds of Government paper, and Bank of Bengal shares sent there for sale." We have the evidence of Mr. Steel, and Mr. Baker, that that Government paper was pledged already, so that you actually held out these securities to the Bank of Bombay when you had not them to give.—From my advices from Mr. Steel, I think that I was justified in expecting that. I had not copies of the correspondence.

6939. Mr. Steel did not give such an account of it. He said that you had no reason whatever to say so. I understood him to say that you knew that it was only a margin which you could possibly have thought could have been made applicable to the bank debt.—So far as I remember, it was the result of a vague telegram from himself. We were misled in some way quite unintentionally by him. On the 23rd of August, I voluntarily gave the bank further security, that was in consequence of the securities falling through, and in my application of the 13th of July I asked for the accommodation to be upon certain securities, or others considered equally valuable. I can explain the amount which fell through in Bank of Bengal shares. It was not an imaginary amount, but it was some trust funds which were to be paid into the Asiatic Bank. The money I consider was owing to the bank, but from the position of the bank at the time, and the want of advices from Mr. Michael Scott, who had some authority over it, the money was never paid in, and we could not oblige it to be paid in, but there was a specific amount of about half a lac of rupees.

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6940. That is not the evidence of your agent, Mr. Steel; he told us that this margin of 70,000 rupees, the proceeds of Government paper and Bank of Bengal shares sent to Calcutta, was so appropriated.—He has forgotten all about it. I should like to read letters of Mr. Baker and Mr. Steel.

6941. No; I cannot allow that.—They expressed to me great regret at having given that evidence.

6942. They were examined fully, and ought to have given the evidence at the time. We have allowed you to make this explanation, and it will be made public with the other statements which have been made. It is not necessary for us to express any opinion about it, and we do not do so.

I need not ask you how the cash credits were kept in the Bank of Bombay, because that, of course, you know nothing at all about; but did not you realize these securities from time to time?—Yes; the shares of the Apollo Press Company were realized.

6943. And you realized a good many of the others?—But I think that I took care to send in special letters showing that they applied to this cash credit.

6944. The end of it was that there was a balance of 19,66,000 rupees owing at the close of the cash credit.—Very probably.

6945. On the 1st of September there was about 16 lacs overdrawn; how came you to be allowed, when the cast credit was at an end, to draw up again to 20 lacs?—I was in constant communication with the directors.

6946. We should like to know who it was that gave you authority to draw after the cash credit was at an end?—I drew because we had requirements to meet.

6947. With whom did you make arrangements to allow you to draw in that way?—The last arrangement which I made was with the full board of directors.

6948. That was on the 23rd of August?—Yes.

6949. After the 1st of September I want to know who authorized you to draw upon that account?—That I do not know; I simply sent in my cheques to the bank, and the directors were then continually in the bank.

6950. Did you negotiate those overdrafts upon the cash credit?—No.

6951. Whom did you speak to about it; did you speak to Mr. Robertson or any director?—I do not know that I spoke to any one. I had frequent letters from Mr. Robertson that the account was in that peculiar way, and it was very difficult to look after it, because some of my securities were in hand, and some were at sea.

6952. I want to know by what system after the cash credit was at an end, you were allowed to draw four lacs?—I have nothing to show me that it was so.

6953. We can show you that by the account (*handing the account to the witness*). You will see that after the 1st of September 1866 you drew out four lacs.—Yes, so it seems by this account.

6954. How came you to be allowed to do that?—The directors, I suppose, gave me that credit. I am sure that no special influence was used in my case, for the directors asked me several times to go to the full board. I showed them my position as fully as I possibly could.

6955. But you were not there after the 23rd of August as far as I can make out?—I remember on that day being asked by Mr. Lidderdale, who I think was the chairman, whether I could positively say that the accommodation which I should get would carry me through. I of course did not say that it would not do it, but I certainly said that I could not give him a special promise of that kind, and the directors who were then present were satisfied with my general statement, which would assure them that I should do my utmost. I was very anxious to do all that I could for the bank.

6956. Then am I to understand that you believe that it was done inadvertently by the Bank of Bombay, namely, allowing you to go on overdrawing?—I do not like to express an opinion; I think that is more for the officials and directors of the Bank of Bombay.

6957. Are you able to give an explanation of it?—I am unable to give it.

6958. Did you at this time state that you would be able to get through your difficulties?—I never gave such an explanation after the 23rd of August.

6959. When you realized some of those securities, ought not your cash credit to have been reduced in proportion to the realization?—Yes, unless any other security was substituted at the same time.

6960. That is the way in which you carried on this account; you left the account in balance, and then when fresh securities were called for, these inferior securities were given?—I cannot exactly agree to that.

6961. Was not that the case? For instance, on the 13th of July there was a balance of 12,45,000 rupees almost uncovered, there was a chartered mercantile bill of one lac, and there was the wretched security of McIndoe, Rogers, and Co., which has realized 63,000 rupees, so that there was 1,63,000 rupees worth of security to cover 12,45,000 rupees. That was the position in which the matter stood at the end of the first cash credit, and of course the bank was glad to get any security to cover that balance; but ought not the Asiatic Bank to have reduced the cash credit then?—There was some statement, I believe, made by Mr. Baker, and Mr. Steel, but they were unable to satisfy you.

6962. I ask you for your opinion.—I have no materials for giving it; I have not had the books before me since about the period of the failure of the bank, and I really cannot give a categorical answer to that question.

6963. Ought not there to have been a separate cash credit account, and as these securities were realized, ought not so much of the cash credit to have been withdrawn?—Every bank has its own way of keeping its accounts; the Bank of Bombay does not seem to have adopted that system. It is possible that I might now agree with you that this is how the matter should have stood, but I do not know that it would have secured the Bank of Bombay more, because, at the time the last securities were given, they considered that they had more security than they wanted.

6964. If you had deposited the six and a half lacs they would have been in a very different position, but they never got it.

I will turn to another transaction. Do you remember you and Mr. Tracey selling some Back Bay shares to Mr. Macfarlane?—Yes.

6965. Why was Mr. Tracey's name concealed in that transaction?—It was not concealed, but the shares had been lodged, in the first place, for safe custody in the Asiatic Bank.

6966. The Asiatic Bank had a plan of taking shares for safe custody, had they?—Yes; the shares were then transferred into my name to be security for Mr. Tracey; my interest in them closed at that point before they were sold; they were sold to be delivered to Mr. Macfarlane at some delayed date, and the shares being in my name Mr. Tracey's name could not be introduced, because this sale bond was not a transferable document.

6967. You and Mr. Tracey both sold the shares?—I sold the shares for Mr. Tracey.

6968. The shares were in your name only?—The shares were in my name.

6969. Why were the shares in your name only, when Mr. Tracey had an interest in them?—The shares were transferred into my name, because the proceeds had to go to the account of Mr. Tracey in the Asiatic Bank.

6970. They were lodged as security?—Yes; and they were afterwards put into my name, as far as I recollect; they must have been in my name, because they were sold under this contract.

6971. Do you mean to say that you had no beneficial interest in them?—Not at that time; I had previously, but Mr. Tracey and I had some transactions together in which I squared it up.

6972. Had you not many joint transactions with Mr. Tracey?—He had an interest in the Back Bay scheme.

6973. Were not there several transactions in which you were engaged with Mr. Tracey?—Yes.

6974. Were there any other transactions in which you were engaged with Mr. Robertson?—None.

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6975. Or with Mr. Blair?—You have had some evidence with regard to shares which were bought at auction, and you have had some difficulty, I think, in finding five shares; those five shares were in Mr. Blair's other account; I can give you the dates. Premchund's evidence was, that these ten shares were in a joint account between Mr. Blair, and myself. I had no interest in the ten shares, but I had an interest in five other shares, and I transferred them to my account in the Central Bank, so as to separate my account from Mr. Blair, and Premchund, and I paid in to Mr. Blair's credit the exact amount of interest. On the 25th of July 1864 Mr. Blair is debited 1,25,000 rupees, and on the 1st of September 1864 he is credited with 1,25,845 rupees, 14a. 2p. On the same day, namely, the 1st of September 1864, my account with the Central Bank is debited for the same amount, namely, 1,25,845 rupees, 14a. 2p., showing that I separated altogether my interest from Mr. Blair, and from Premchund.

6976. (*Major Innes.*) How did you keep the loan account with the Bank of Bombay in the books of the Asiatic Bank? I refer to the overdrawn account.—It was just an ordinary account.

6977. Did you look at it when you overdrew it?—I did not do so myself.

6978. Did you, or did you not, when you drew a cheque against that cash credit, look at the state of the account?—No, I left that to Mr. Baker, principally; he noticed details of that kind. I looked at it occasionally, when I was very anxious about the position of it, but not many times.

6979. In your account, when any sum was realized by the sale of securities, was that account credited in your own book with the sum so realized?—Yes.

6980. Then how could you know the real state of your cash credit?—That was, of course, the difficulty.

Mr. S. D. Birch.

SYLVESTER DOUGLAS BIRCH further examined.

6981. (*President.*) You heard what I read to Mr. A. D. Robertson?—Yes.

6982. Do you recollect Mr. Bevis's loan?—I do not.

6983. Will you look at the entry in the book; does it at all revive your recollection?—No (*after looking at the entry*); I do not recollect it. If anything had been done it would, I suppose, have gone round, and my initials would have been put to it.

6984. Do you not remember Mr. Mangles coming to you, and asking you whether you were aware of it?—No, I do not.

6985. You do not remember your saying anything about it?—I do not remember it at all.

6986. Do you still remain of the same opinion, that you never knew at that time of these loans upon a single name, and without any other security?—No; I did not at that time.

6987. You never knew of any bills of that kind?—No; if I had known of them, the documents would have had my initials upon them.

May I be permitted to mention that Mr. Mangles was under the impression that I was in Bombay in April 1865; he happened to speak to me before I came in, and he said that I was one of the parties to the resolution of the 12th of April 1865. He was under the impression that he had left me at the board, but I told him that he was mistaken.

Mr. A. K. Corfield.

ARTHUR KING CORFIELD sworn and examined.

6988. (*President.*) We hear that you wish to give us some information respecting the practice of the Government directors under the old Bank Act?—The practice was never to advance money to any one, excepting the bank were fully secured by Government loan notes, or guaranteed railway shares.

6989. The fact is that the charter at that time only allowed such loans?—Yes.

6990. But there was no such restriction under the new charter?—No.

6991. Is there any other information which you wish to give us?—There was a private discount list.

6992. That was discontinued during the year 1864. There is no doubt about the fact that there was such a discount list, and it was very useful, but it was discontinued during the year 1864.—The bank was in my day so conducted that there were never any losses at all. During the 20 years for which it had been established not more than 20,000 rupees was lost.

6993. That was because the old Act prescribed the proper course of procedure, was it not?—Yes.

6994. Is there any other information which you can give us?—I do not exactly know on what points you wish for information.

6995. I have read your letter, and there is one point (but it is no news to us) raised in the letter, namely, that you considered it your duty to point out to the Government every violation of the charter which might occur.—Undoubtedly.

6996. Did you, in fact, during the whole time when you were a Government director, make any such report to the Government?—Never.

6997. You did not think that anything was going wrong?—No.

6998. Did you receive any instruction from the Government as to what your duties were to be?—None whatever.

6999. Not during the whole time that you were a director?—None, so far as I remember.

7000. Were there any rules laid down for Government directors?—None that I ever saw.

7001. Did you consider that your duties were in any way different from those of the commercial directors?—Not at all, with the exception that it was the duty of a Government director, if anything went wrong, to let the Government know of it.

7002. So that all the present evidence is consistent with that, namely, that the Government directors all felt that if they had known that anything was wrong, their bounden duty was to communicate with the Government?—Yes, or with the Government of India. There was some alteration made in the Finance Department. I think that after I had been there for three years it was placed under the Government of India.

7003. Is there any other information which you would like to give us?—No; I have no other information to give.

7004. We are very anxious to get anything which is new, but these points are clearly upon the evidence before us. If there is anything else which you have to say we shall be glad to hear it.—I have nothing further to state.

Adjourned to the 11th December, at Eleven o'clock, at the Grosvenor Hotel.

Friday, 11th December 1868.

PRESENT :

President.

SIR CHARLES JACKSON.

Members.

Major McLEOD INNES.
MAXWELL MELVILL, Esq.

Secretary.

F. D. CHAUNTRELL, Esq.

ROBERT HANNAY sworn, and examined at the Grosvenor Hotel, Westminster.

Mr. R. Hannay.

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7003. (*President.*) I believe that you were a director of the Bank of Bombay in former years, with regard to which I do not wish to examine you; you were again elected a director in 1864, and sat at the board on the 15th of December 1864, did you not?—I think that, on the last occasion, I sat for the first time on the 5th of January 1865, but I have no record upon the point.

7004. I find in the minute book that your first sitting was on the 15th of December.—I think that I was elected on the 28th of December, and sat on the 5th of January, but I have no record of it.

7005. You were elected president on the 2d of March 1865?—Yes.

7006. You resigned on the 3d of April 1866?—On the 9th of April.

7007. Your last sitting was on the 3d of April?—Yes; I was unable to attend to anything after that.

7008. You will see that you were present as a director on the 15th of December 1864; you were elected on the 12th?—I thought that it had been later.

7009. You were elected on the 12th of December, and your first sitting was on the 15th. You resigned on the 9th of April 1866?—Yes.

7010. I understand that you attended regularly at the bank, almost daily?—Yes, with the exception of the time that I was sick at Kirkee. I started for Kirkee on the 18th of August 1865, and returned to Bombay on the 6th of October 1865.

7011. You are well acquainted, no doubt, having been president, as well as director, with the practice of the new bank?—I endeavoured after Mr. Birch's departure to make myself acquainted with it as well as I could.

7012. We will first of all ask you as to the discounts. When you came back to the bank at the end of December 1864 the discount list had been given up.—I heard it said by the directors then that it was impossible to state what a man was worth, and that a reliable discount list could not be made out.

7013. It was well known amongst the directors that it had been given up?—I should think so.

7014. What practice was substituted in its stead?—From the time I joined in December, until March, I only attended on board days. My belief is that discounts were very much referred to the native director.

7015. Was any order passed within your knowledge advising a reference in all cases of discount to the native director?—Not to my knowledge; but

Mr. R. Hanway.

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it was tacitly understood, and it was expected, I believe, that they should be afterwards referred to the weekly committee.

7016. Do you not know as a matter of fact that during the course of the year 1864, the reference to the weekly committee was entirely given up, or that at least during the year 1864, there were only about fifteen cases of that sort?—Not of my own knowledge.

7017. You were not a director then?—I was not.

7018. But as a practice during the first three months that you were a director, used you to have discount minutes sent round to you?—I cannot remember that we had.

7019. Were you aware that at that time the bank was discounting promissory notes in one name without security?—To the best of my recollection it was not till the month of March 1865.

7020. How came you to be aware of it then?—Finding myself in the position of president, and not knowing so much about the bank as I found that it was necessary to know, I made inquiries as to many matters which I thought of.

7021. You found out in March 1865 that they were making those discounts in one name without further security; what steps did you take when you found that out?—I believe that I took no steps.

7022. Did you know that they had been in the habit of discounting bills (I do not think that there were any after 1864) on which more than three months were to run?—None were brought to my knowledge.

7023. Before you became president what was your belief as to the practice with regard to granting cash credits?—My belief was that a cash credit could never be a proper cash credit without two names. I have seen, in the evidence taken by you in Bombay, a paper on that subject, which I shall be very glad to see now.

7024. You were not aware that shortly after the passing of Act 10 of 1863 the bank begun to grant cash credits on a single name on a promissory note merely?—I was not.

7025. Were not you aware that on the second of June 1864 the sanction of the board had been obtained for that practice before you became a director, and did you not know before you became president, that the bank was granting cash credits in one name?—I was not aware of it.

7026. Do you recollect being consulted previously to June 1864, about an order which the board was going to pass allowing cash credits in a single name?—I have a recollection of Mr. Blair coming to me in Mr. Steel's absence,—I think that Mr. Steel was at Matheran,—and he asked me to jot down on paper what I considered was the Scotch system of cash credit; I did so, and he took it away with him, and I never heard more of it till I saw mention made of it in the evidence.

7027. Is that what you jotted down? Do not mind the alteration, but look at the original (*handing Exhibit A* 48 *to the witness*).—It is not my handwriting.

7028. But just read the original. Is that what you jotted down as the real system of Scotch cash credits?—To the best of my knowledge and belief, that is what I jotted down, with the exception of the alteration.

7029. Then you put down what was the real Scotch system?—I believe that I did.

7030. And this alteration, if you had been consulted, you would never have agreed to?—I could not have agreed to it.

7031. You therefore remained under the impression, at all events until you were president, that the cash credits were always granted upon the security of two names?—I believe even after I was president.

7032. *Mr. Melvill.* Mr. Blair consulted you because you were a partner of Mr. Gavin Steel's, and he was a director?—Yes; I think that Mr. Steel was absent at the time.

7033. (*President.*) When did you first become acquainted with the fact

that cash credits were granted on a single name?—I have been trying to recollect, and so far as I recollect, I was never aware of it.

7034. All such cash credits I suppose ought to have been entered in the application book?—Certainly.

7035. You never saw a little blue book in which all cash credits on personal security only, were entered?—Never.

7036. I am now talking of the time before you were president.—To the best of my recollection I never knew it at any time.

7037. After the 12th of April 1865 everything was entered in the application book again regularly. Did you ever authorize, in any way, the omission of applications from the application book?—Never.

7038. You were always under the impression that it contained all the applications for cash credits and loans?—I was.

7039. And that the register of bills discounted would show all bills?—I was under that impression.

7040. Was it the practice to lay those two books on the table before the board of directors?—I believe that it was.

7041. Are you quite sure about it—just recollect; it was the case after you had become president, but was it so during those first four months?—I cannot remember; I seldom looked at the application book until after I became president.

7042. What was the practice as to fixed loans; what did you suppose to be the practice during the first four months before you were president, when you were merely a director?—They rarely came before me.

7043. You did not know what the practice was?—I could not say.

7044. Were you aware that during that time before you were president, the bank was in the habit of lending large sums of money upon a sole promissory note or bond without a second name, and without other security?—I cannot say that I was aware of it.

7045. I will now go to the resolution of the 12th of April 1865. When you became president on the 2d of March 1865 you say that you began to make more inquiries as to the practice?—I found it absolutely necessary, as we were entirely dependent upon the secretary for all our knowledge of what was going on. We were under the belief that he had always consulted Mr. Birch as to what was going on. I found myself in a manner at sea, when I became president.

7046. What was the result of your inquiries?—The result was that I found that many loans had been granted ostensibly upon personal security, shares being taken at the same time for safe custody.

7047. Did you then find that advances had been made on a single name without other security, as well as on the deposit of shares for safe custody?—I should think that I must have done so.

7048. What did you propose to do when you found that this was the practice?—I did not like the practice, as I did not understand it. I thought that it would be fair to advance, as we had authority by the charter to do, on shares, taking them as security.

7049. You thought, in fact, that you would sanction that practice of taking shares for safe custody by a regular resolution of the board, it being understood that the shares were to be a security?—It was so.

7050. And I believe that you were the author of this resolution of the 12th of April 1865?—If you will allow me I will tell you how it was. I went over to the bank without any idea of making any such resolution. I had a conversation with Mr. Blair in the room, and whether I suggested it, or whether he suggested it, I am not aware, but when the other members came into the meeting, I talked to each one in succession, and they all thought that it was the best course that it should be put at the board and carried; but I had no conversation with any director until I went into the board room.

7051. Had you any previous conversation with Mr. Blair?—Never.

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7052. Was the resolution drawn up in form when you arrived at the bank?—No.

7053. Then who drew up the resolution?—The resolution was, I think, drawn up by Mr. Donald Robertson, under Mr. Blair's directions; that is to the best of my belief.

7054. That I suppose was before the directors came in?—It was after the directors came in.

7055. Here is the scroll minute; looking at that, does it revive your recollection? (*handing Exhibit A* 183 *to the witness*).—Yes; that is how it was, to the best of my belief.

7056. That scroll minute, you see, says at the commencement, "With reference to the former board resolutions of the 6th of August and the 17th of September 1863 as regards advances on the securities of shares"; it is a sort of recital, and is a much shorter recital than the resolution itself, as set out on the regular minutes.—To the best of my recollection, I never heard of those two minutes before that day, not that I can charge my memory with.

7057. Do you not remember that they were inserted in the scroll minutes at the time that you saw them?—I think not. I think that these resolutions were read out by Mr. Blair at the board.

7058. That is to say, the resolutions of the 6th of August and the 17th of September, prohibiting the advances on shares without their being brought before the full board?—Yes.

7059. You think that they were read out?—I am almost certain that they were.

7060. Every director whom we have examined has said that they were not brought to his knowledge.—To the best of my knowledge they were read out by Mr. Blair at the meeting.

7061. It looks so from that scroll minute at all events; the scroll minute refers to them.—To the best of my recollection they were both read out at the meeting.

7062. That scroll minute was on the table?—This must have been made at the table.

7063. Do you remember whether it was handed round?—No, I think that it was read out.

7064. You think that the whole of it was read out?—I think that the whole of it was read out.

7065. I want particularly to call your attention to the passage referring to the two previous orders.—I think that those were turned up in the middle of an old minute book, and read aloud at the meeting, so far as I can remember.

7066. You see that afterwards in the minute itself, when prepared formally, those resolutions which were referred to, are set out at full length; but you say that those resolutions were read out at the meeting?—To the best of my recollection they were read out from a former minute book.

7067. I understand that you proposed this resolution with a view of sanctioning an irregular practice which you found had sprung up, namely, of taking the securities of these shares in contravention of the resolutions of the 6th of August and the 17th of September 1863?—I cannot say that that was my exact motive. I had never seen those resolutions until that day.

7068. Then what was your motive?—My object at the time was, so far as possible, to relieve the money market, and I believe, as you have stated, also in a measure to sanction the transactions in which we had received shares.

7069. Did you carefully consider the terms of that resolution?—It was somewhat hastily done.

7070. Were you aware that it authorized advances on shares the calls of which were not paid up?—I was.

7071. Were you aware that it authorized advances on the premia of shares?—I was.

7072. Were you aware that it authorized the secretary to make those advances at his discretion?—I unfortunately was.

7073. It restricted those advances to first class applicants, but who was to be the judge as to who were first class applicants?—I may mention that at that particular time the directors were nearly all new directors; we were very much dependent upon the secretary and the native directors, and it was supposed that the secretary, having had charge of the bank so long, would best know who first class applicants were.

7074. Why did you select these particular Companies?—We implicitly believed, at least I myself did, in the two land Companies.

7075. You mean the Back Bay and the Elphinstone Companies?—Yes.

7076. The Elphinstone Company no doubt was a good Company. You were a director of the Back Bay Company, were you not?—I was.

7077. Were not you also in some way connected with the Asiatic Bank?—I was. The Asiatic Bank at that time, I believe, had 50 lacs with the Bank of Bombay, and I believed in it as firmly as I did in the Oriental Bank at that time.

7078. Mr. Brown, a director, was also the secretary of the Elphinstone Land and Press Company, was he not?—Yes.

7079. And Mr. Tracey, and Premchund Roychund, were also interested in the Back Bay Company, and the Asiatic Bank?—Yes. I may also mention that we came to the conclusion that if we left out those two Companies, we should probably bring about a panic altogether, and we wished to avert that.

7080. Can you explain to us why, having selected these particular Companies upon which advances should be made, advances in point of fact were made upon the shares of other Companies?—Those were the only authorized ones.

7081. Were you aware at any time subsequently that advances were made on United Victoria and Colaba Companies' shares?—I cannot charge my memory at present, but I may state that I should have had no personal objection to those shares. I had sold all my shares which I intended to sell in the Back Bay Company. I afterwards purchased Asiatic Bank shares, and unfortunately held them, and do now.

7082. We will turn to another subject, namely, the powers of the secretary.

Do you remember a discussion with Mr. Lushington and Mr. F. Chapman, which took place shortly after Mr. Alexander Brown joined the board, with regard to the powers of the secretary?—I have an indistinct recollection of it.

7083. Do not you remember that Mr. Lushington on that occasion, which was the 4th of May 1865, proposed that there should be some restriction on the powers of the secretary?—I believe that he did.

7084. And the resolution really come to was this, "Resolved, that no new constituent of the bank be allowed credit beyond three lacs, without the special sanction of three directors."—Yes.

7085. Is it your recollection that that really embodied the understanding which was come to at that meeting?—To the best of my recollection and belief it did.

7086. You do not recollect that there was any understanding at that time that from that moment all advances were to be brought before the board?—I do not remember such an understanding.

7087. If there had been any such understanding it must have appeared upon the minutes?—It must have done so.

7088. And you would have taken care that it did appear upon the minutes?—I hope that I should.

7089. I believe that in the course of that discussion you and Mr. Tracey strongly opposed any restrictions upon the powers of the secretary, except to that extent?—I may have done so.

7090. Do you remember whether Premchund was present on that occasion?

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He is not named on the minutes. Mr. Brown said that he was under a strong impression that Premchund was present.—I cannot say.

7091. That resolution I suppose was the result of a sort of compromise between the directors upon the discussion?—I cannot charge my memory with the discussion now.

7092. Does not it clearly appear from that resolution, that you were aware that the secretary was in the habit of making advances above three lacs, at that time?—It appears so. I should say that we felt very much inconvenienced after I became president from having no byelaws whatever.

7093. Is it not clear from that resolution, that the only restriction, which you then put upon the power of the secretary, was that of not granting above three lacs to new constituents?—It appears so.

7094. You say that you felt inconvenience from not having any byelaws, but whose fault was that?—I should say that it was the fault of the framers of the bill.

7095. No; the byelaws which were in schedule B. of the draft Act were struck out in the Legislative Council to prevent your having to go to the Legislative Council whenever you might wish to alter a byelaw, and the Act gave you a general power to make byelaws with the consent of the Governor in Council.—In 1865 we believed that we could not make byelaws; everybody was so pressed with work that we could not think what would be the proper byelaws for the bank at that time.

7096. Do you mean that no one could devote the time necessary for drawing up byelaws?—Partly that, and no one at the bank apparently knew what the byelaws should be.

7097. You were all rather young men there at that time, were you not?—We were all new directors.

7098. And the commercial directors were all rather young men, were they not?—They were.

7099. Was there any proposition at any time to make any byelaws?—Not until I came home.

7100. Did you not hear that in March 1866, shortly before you came home, the directors were even then to a great extent unaware of what the powers of the secretary were?—I had frequently talked with Mr. Robertson as to what he considered to be his powers; I was going to write a letter at home upon the subject, and in order to make myself certain as to what were his views, I asked him.

7101. Shortly before you went home, were not you asked by your brother directors to define what the powers of the secretary were?—I was. I had promised to do so before leaving, because I felt the inconvenience of my predecessor having left me no memorandum.

7102. Did not you, as the best mode which you could think of, at the time, of ascertaining what the powers of the secretary were, write to the secretary himself?—I did.

7103. And I believe that this was his answer? (*handing Exhibit A* 35 *to the witness*).—This is his answer to me.

7104. Upon that you wrote to your brother directors the letter of the 15th of March? (*Exhibit A* 34).—Yes.

7105. You did not contradict the statement by Mr. Robertson of his powers, but you then proposed some slight modification of them?—I did.

7106. And after you left I believe that your brother directors drew up some byelaws, dated 31st March, in accordance with your suggestion?—I think that they must have done so before I left.

7107. Do you remember how renewals of bills took place when you were first appointed a director of the bank before you became president?—They were entirely left to the secretary, so far as I know.

7108. After you became president, was the same practice continued?—I believe so, in a great measure. It was an unfortunate practice.

7109. Is it not a very dangerous practice to go on renewing bills time after

time ?—No doubt. We had adopted a policy which we thought was the best at the time.

7110. Were the questions of renewals ever referred to you ?—I was very much at the bank, and I cannot say that they were never referred to me, but I think not often; many of them may have been referred to me. I cannot recollect.

7111. I must again ask you whether you remember at any time (because Mr. Blair has spoken to the practice) any distinct authority being given to Mr. Blair by you, or by anyone else, to be satisfied with the directions of a single native director as to advances ?—To the best of my belief I was not aware of such instructions.

7112. If you had given any such order do you think you would have recollected it ?—I think so. I think that no such order was ever given by me.

7113. Can you tell us any other limitation which was ever placed upon the powers of the secretary during the time that you were president excepting the resolution of the 4th of May 1865 ?—I remember, some days after the passing of the resolution of the 12th April 1865 (I cannot say how long), going over to the bank, and finding the loans on shares which the secretary, Mr. Blair, had made at his discretion, and I told him that I thought that they had been made without discretion, and that no advances should for the future be made upon shares without the sanction of the directors or of the Committee; that was about the middle of April 1865.

7114. That was just a few days before Mr. Blair went home ?—Yes; he went home at the end of April 1865.

7115. Did you repeat that order to Mr. Robertson ?—I may have written it, or I may have spoken it. I know that I mentioned it.

7116. The order which was given was never obeyed, and therefore I want to know whether it was ever conveyed to Mr. Robertson, who succeeded Mr. Blair ?—At this moment I cannot say.

7117. Very shortly after that, no doubt, everything was brought before the board; the panic had set in.—There was a request that nearly everything should be brought before the board, with the exception of small loans to people who were known.

7118. You have been spoken of several times as a strong advocate for giving very enlarged powers to the secretary.—I unfortunately was so. I thought that with responsibility we should get good service.

7119. Mr. Brown in speaking of the discussion which took place at the board on the 4th of May 1865, said in his evidence, "Mr. Hannay was the spokesman, and said that unless the secretary was left unfettered, it would be impossible to make him feel his responsibility. I think Mr. Tracey joined him in that, and Mr. Hannay added that men of standing had too much self-respect, to submit to have their applications scrutinized by the whole board, and that if we insisted, the bank would lose much valuable business." Does that convey a right impression of the course which you took in that discussion ?—I think that to the best of my belief it very nearly describes what took place.

7120. Do you remember, shortly after that, on the 11th of May, two discounts coming forward, one for the Alliance Bank, and the other for Cursetjee Hormusjee Chinoy; and do you remember that an objection was taken by Mr. Lushington to such loans on personal security merely ?—My recollection of the advance to the Alliance Bank is, that in consultation with Mr. Robertson we took good bills for the loans which we gave to them.

7121. There has been no loss upon the advance to the Alliance Bank.—It had nothing to do with personal securities.

7122. But there has been a loss upon the loan to Cursetjee Hormusjee Chinoy. You minuted upon it as follows: "I agree with our late president, Mr. Birch, that good personal security is far better than any other." What did you mean by that ?—I meant that if a man was a man of good standing, I thought that the discounting of his bill was the best security which we could have.

7123. Was not it somewhat illogical ? because, if it is good, of course one

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security is as good as another; but if you look to a security, is not personal security the worst that you can have?—It is better to have a good man than bad shares.

7124. Is it your opinion, as an abstract proposition, that personal security is better than any other?—That was then my opinion.

7125. Was it Mr. Birch's opinion?—I believe that it was.

7126. Do you adhere to that opinion still?—I do not.

7127. Do you recollect any of those large loans which took place on personal security, and on one name, during the time that you were a director of the bank?—I cannot charge my memory with any particular one.

7128. Do you remember the large loan to Mr. F. L. Brown on the 25th of February 1865 of 2,50,000 rupees?—I have no recollection of its being granted; of course I have heard much of it since.

7129. Are we to understand that that was done by the secretary himself, upon his own responsibility?—It must have been so.

7130. Do you remember whether that loan was renewed fourteen days afterwards?—I cannot charge my memory with knowing of it at the time.

7131. Were you, or were you not, as president, ever consulted on such large transactions as that?—I think very rarely until the end of April 1865.

7132. You occasionally recommended, I find, some of these loans?—Yes, when I thought that I knew the men well.

7133. Do you recollect. Kursondass Madhowdass' large loan?—That was before my time.

7134. Do you not remember its renewal on the 8th of December 1865, and the transfer of it from the partners of Kursondass Madhowdass' firm into the names of Premabhoy Hemabhoy, Premchund Roychund, and Kursondass Madhowdass?—To the best of my recollection the transfer was made by the secretary on his own responsibility.

7135. I think that you will find that it was brought before the board?—I remember its being brought before the board, but I think that that was after it was done.

7136. Mr. A. Brown referred us to you for this transaction; he said in his evidence, "I sat for the last time on the 7th December, and for some weeks before had not been able to attend to business. I believe that Kursondass was right in saying that the transfer of the loan improved the position of the bank."—We all thought so.

7137. I have no doubt that you thought so. He adds, "Mr. Hannay knows most about that transaction. I believe that there was an understanding about the renewal of those loans, Kursondass was not to be pressed for payment."—I cannot say that I knew more about that loan than any other director in the bank, but my impression is, after having read Mr. Brown's evidence, that we were to get so much security from Cursetjee Furdoonjee in the event of his loan being carried on, and that this loan was to be carried on also.

7138. Had you entered into any understanding with Kursondass to renew that loan?—I had not, as an individual.

7139. Was there any understanding entered into about renewing those large loans?—The general policy which we adopted was a policy of renewal.

7140. But was it not a very imprudent thing, with so large a sum as 25 lacs, to enter into any agreement to renew when it had been already going on for eleven months?—At that particular time the committee were investigating the affairs of Cursetjee Furdoonjee, and so far as I recollect the circumstances, they reported to us that he was worth 16 annas in the rupee.

7141. Then I am to understand that you do not recollect having given any promise, express or implied, to renew that loan to Kursondass?—I do not.

7142. The consequence has been that it has been renewed and renewed, and that there has been a very great loss upon it; you do not recollect at all having been a party to any such transaction?—I cannot recollect, nor do I think that I was a party to it, excepting that we adopted the policy which we thought was the right policy to adopt, namely, that of forbearance.

7143. On the 8th of December 1865, at the time of those transfers, there was no particular reason why you should adopt a policy of forbearance with men like Premchund, whose standing was then high, and Premabhoy Hemabhoy, who was then I think a member of the Legislative Council, and who was rich, and Kursondass Madhowdass who had not failed then. Why did not you press for the repayment of the loan on the 8th of December 1865?—Knowing what we know now, we should have done it; we believed. that the policy was good at the time.

7144. This is a resolution of the board with respect to Kursondass' loans on the 3d of August 1865: "Resolved, that the loans be renewed for three months from the 1st of July on his (Kursondass Madhowdass) depositing the acknowledgment of his claim against Cursetjee Furdoonjee, and a guarantee bond signed by Messrs. Premchund Roychund and Premabhoy Hemabhoy, and it is understood that they will be renewed in part, or in full, for a further period if required, the rate of interest to be nine per cent., interest to be paid at the end of each three months." There is a regularly recorded resolution to renew that loan again?—Yes.

7145. Do you think that that was prudent banking?—I cannot think so now.

7146. Then you say that when it was brought before the board again on the 8th of December at the time of the transfer, the transfer had actually taken place?—My belief is that if it had not been arranged, it was all put down on paper.

7147. The date of the transfer is the 8th of December 1865.—If it was so, I believe that we were all of opinion that the secretary had acted wisely for the interests of the bank at the time.

7148. You thought that he improved the position of the bank by taking Premabhoy Hemabhoy?—Yes.

7149. Did you get any security from those parties at the time of allowing that transfer of the 8th of December?—I cannot charge my memory.

7150. It appears that no security was then taken for such an enormous sum as 25 lacs. Twenty-three Back Bay shares were deposited on the 13th of February 1866, about two months afterwards. You trusted that sum of 25 lacs entirely upon the names of Premabhoy Hemabhoy, Premchund Roychund, and Kursondass Madhowdass?—I believe that we did so.

7151. As I understand, you do not now defend that transaction?—No.

7152. Do you recollect Mr. Campbell's loan; it was a loan to John Campbell with Sidney Smith; he was recommended by you in a discount minute on the 10th of February 1865. Do you know who those gentlemen were?—What was the amount of the loan?

7153. 50,000 rupees. There has been a loss of 40,000 rupees upon it.—I was not aware that I had recommended it; if it is in the minute of course I did. If I recommended it, I must have thought them good for the amount at the time.

7154. Do you recollect who Mr. John Campbell, and Mr. Sidney Smith were?—Mr. John Campbell must have been a partner in the firm of Scott and McClelland, and Mr. Sidney Smith must have been a doctor; but I have no recollection of recommending them.

7155. You do not recollect the circumstances. Here is your name upon the document: "Dr. Smith has a little money, give them 50,000 rupees for a short period." I think that that is your handwriting? (*handing Exhibit A* 137 *to the witness*).—Yes; but I have no recollection of it.

7156. Do you recollect recommending Mr. Cooper for a discount on the 24th of February 1865?—I have no recollection of it. Mr. Cooper was at that time considered a wealthy man.

7157. Was not he a director of some of those ephemeral companies, the Decean Cotton Cleaning Company, and other companies?—He may have been.

7158. I see that you recommended him in conjunction with some others. There are three names, and the loss upon that transaction has been exactly one

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half. You recommended him by a discount minute of the 24th of February 1865; do you recollect doing that?—I do not recollect having done so; but I may have done so. The other two parties were also considered wealthy.

7159. Were not all those persons great speculators; were not they directors of several of those ephemeral companies?—They may have been.

7160. Do you recollect recommending Cowasjee Rustomjee Pochajee jointly with Sorabjee and Nowrojee Nanabhoy for a discount?—I do not. The references to me at that time were almost interminable, and it is impossible for me to remember them.

7161. Do you recollect a loan to Cursetjee Merwanjee, Mr. Reid, and Mr. Wesché of 50,000 rupees?—I do not.

7162. Do you not recollect that you expressed yourself very strongly as to Wesché being a speculator? How was it that he got the loan? (*handing Exhibit A* 138 *to the witness*).—I am taken perfectly by surprise. I have no recollection of such a letter. I must have considered him worth the money at the time, if I recommended it. I do not recollect the transaction at all.

7163. Was not that bill renewed?—That I cannot say.

7164. It was I believe renewed over and over again, notwithstanding that you said that there should be no renewal. Mr. Wesché, was a bank manager, was not he?—I think that he was.

7165. What was Mr. Reid?—He was at one time an accountant in the Bank of Bombay.

7166. He had left that situation then?—Yes; he was, I think, in the Alliance Bank.

7167. Must you not all have known that that was a bill which was wanted for speculation?—Yes; it appears so now.

7168. Then there was another discount on the 20th of February 1865 to Dady Nasserwanjee Dady for one lac, on which there has been a very great loss.—He was a son of our old broker, and at that time a very wealthy young man. They had been our brokers for many years; we have sometimes trusted them with money of ours, to the extent of six lacs of rupees without security.

7169. You passed the loan. You wrote to Mr. Robertson, "Perfectly in order, he must be worth 12 lacs at least." (*Exhibit A* 184.) You and Mr. Steel, appear to have recommended him for this loan. Three months afterwards, you wrote "Dady Nasserwanjee Dady has one lac falling due on the 23d; he says that he can only afford you rupees 12,000 cash, and wishes you to renew, as he has plenty of property; I think you are safe in doing this. Yours sincerely, R. Hannay."—The property belonging to him was where I lived, and for that property a good while after that, they refused, I think, 15 lacs of rupees. That property belonged to himself and his brother.

7170. If that was the case, how is it that there was this enormous loss?—It must have been from the enormous depreciation of the property. I cannot make out why there should ever have been a loss on that young man's account.

7171. There was a loss of one third.—Nothing gave me greater surprise. I looked upon the loan to him as being perfectly safe.

7172. Is not the real explanation to be found in that vicious system of renewing?—It became a vicious system, but it was done for the best.

7173. Ought it not to have shown you that that man was speculating when he could only pay 12,000 rupees when the bill became due?—He was then expecting a sale of the property, and I believe that it was mortgaged to his friend, Cowasjee Jehangeer; he wanted more.

7174. Do you recollect Mr. Howard, the barrister, applying for a loan?—I know that he had a loan, but I do not remember the application.

7175. On the 6th of February 1865 he applied for a loan of 50,000 rupees, and you let him have it without any security; he was introduced by Mr. George Taylor, who recommended him for a lac. Here is his letter (*A.* 140), the 2d of February 1865. I see you recommended that 50,000 rupees should be lent to him. Do you recollect that transaction?—I see my own handwriting (*looking at Exhibit A* 141).

7176. How came you to lend to Mr. Howard 50,000 rupees?—He was then considered to be a man of considerable property.

7177. What did you think he was going to do with that money; did you inquire?—No, I did not.

7178. Did not you think it necessary to inquire when you lent such large sums to people not in trade?—We unfortunately did not inquire.

7179. Did you not think that you would be bolstering up a system of speculation by allowing people who were not in trade to borrow money in this way; did it not strike you that they were going to invest it in shares?—I cannot remember at this time; no doubt it ought to have been better considered.

7180. You took no security whatever from Mr. Howard; can you account for that?—I cannot, except that we considered him good without security.

7181. Do you remember a loan to Hurst with Passmore, on the 27th of February 1865, without any security?—I do not remember the granting of it.

7182. It appears to have been recommended by you. Here is the original application for the loan (*handing Exhibit A* 185 *to the witness*). You said that Mr. Hurst was good for two lacs. It was only a small transaction I admit, namely, 15,000 rupees.—I appear to have done so. I have no recollection of it.

7183. Then when the time came for renewal, he could not pay.—I have no recollection of ever having said that he was worth two lacs.

7184. Do you not recollect that when the time came for renewal he could not pay? Here is the letter to you from Mr. Robertson; he says, "If we give him a little time to collect outstanding debts he will pay in full." You write in answer: "I do not know much about Hurst; better get what you can out of him now." But you had recommended him before for two lacs?—The recommendation, I think, must have been an error; another person must have said that he was worth two lacs. The words "Mr. Hannay says, that Mr. Hurst is good for two lacs" are in Mr. Robertson's handwriting, but I have no recollection of saying it, and this other minute confirms me, for I say, "I do not know much about Mr. Hurst." I think that Mr. Robertson must have mistaken some other person's name for mine in that memorandum.

7185. Do you recollect two cash credits to Homejee Cursetjee of 20,600 rupees on the 28th of March 1866, and 15,000 rupees on the 5th of April 1866?—I certainly would have trusted him to a very much greater extent.

7186. This is your letter strongly recommending him, is it not? (*handing Exhibit A* 126 *to the witness*). Is not that a letter strongly recommending that he should not be pressed for payment?—Yes; that is my letter.

7187. You took considerable responsibility upon yourself. These transactions of the 28th of March, and the 5th of April 1866, are mere renewals of previous transactions, and the renewal was made in consequence of your recommending that this man should not be pressed, and in consequence of that recommendation he was not pressed, and there has been a very great loss; can you account for that? Who was he?—He had formerly been a partner of our own brokers. They were considered one of the most respectable firms in Bombay. We sometimes trusted them with six lacs of our own money at a time, and before they dissolved partnership they had a most splendid business.

7188. Do you recollect whether there was any payment made at that time?—I think that I would not authorize a renewal without a payment.

7189. There must have been a payment, because the original loan was two lacs.—I knew his means so well that I would not have authorized his having a renewal, unless he made a payment on account.

7190. Your explanation of this transaction is that you really did think that he would pay?—I did. I knew him intimately. He was an uncle of Cowasjee Jehangeer.

7191. Do you remember a resolution of the board of the 6th of July 1865, authorizing the secretary, at his discretion, to sign any trust deeds to which other bank managers might assent?—Yes, I remember the resolution.

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7192. Do you think that that was a wise and prudent measure?—I thought that if all the other bank managers assented, in the multitude of councillors there would be wisdom, and that it would be right for us to assent also.

7193. But do you not think that it would have been wiser to reserve a little power in your own hands?—I think that very soon afterwards we did.

7194. Was not Mr. F. L. Brown's failure announced at the next board meeting after you passed that resolution, namely, on the 13th of July?—Very possibly it was.

7195. Did not Mr. Lidderdale then move that there should be some alteration of that resolution giving such powers to the secretary?—I think that he did, but that the whole of the rest of the board were in favour of it.

7196. Nobody would second his motion?—No.

7197. And when Mr. Robertson brought the resolution which had been passed at the meeting of the creditors before the board, and asked their sanction to the trust deed, Mr. Lidderdale again moved that their sanction should not be given?—I cannot charge my memory with that, but no doubt it is the case.

7198. You have, I suppose, read the evidence upon that point?—I have not been able to read it carefully.

7199. Mr. Lidderdale dissented. Do you recollect the grounds upon which the board determined to grant that release to Mr. Brown?—To the best of my recollection Mr. Lushington thought that it was of no use throwing good money after bad, and I agreed with him, and all the others were of the same opinion, except Mr. Lidderdale.

7200. Do you recollect whether there was any hesitation on the part of yourself and the other directors about allowing Mr. Brown to go through the Insolvent Court?—That I cannot remember.

7201. Do you recollect whether there was any feeling on your part, or on the part of the other directors, that it was undesirable that such a transaction should be made a matter of comment?—It was well known, I think, that there could be no such desire, and no idea of secrecy.

7202. Whose opinion was it, or was it the opinion of any body on that occasion, that the board were not to make themselves the censors of the morals of the mercantile community?—I think that it was the general opinion of the board.

7203. Mr. Brown had failed for 43 lacs of rupees, had he not?—It was reported so.

7204. And it has been given in evidence before us, by his own trustee, that his estate realized 14,000 rupees. His failure took place early in July, and his trust deed was signed on the 15th. Do you think that the interests of the bank were protected by a hurried transaction of that sort?—What more could we have got?

7205. Would it not have been wiser to have tried to get a little more?—We were then all very much pressed with work, and depressed with the state of matters, and probably we did not consider it as we otherwise might have done.

7206. How do you think that you protected the interests of the bank?—I came to the conclusion that we were not likely to get anything more, and that the expenses of prosecution would be greater than any result which we could get.

7207. Adverting to another subject, do you recollect at any time about March or April 1865 a new book being made?—A book was originally made, I believe, at my own suggestion. When I entered into the bank in 1865 I felt that it was impossible for me to get acquainted with the affairs of the bank with any comfort, as there was no discount ledger, and no ledger of outstandings.

7208. We know about the discount ledger.—A general ledger was made for the use of the directors; it was supposed to contain everything.

7209. Will you describe what that ledger was? do you mean to say that it

was a ledger showing all discounts, cash credits, and fixed and open loans ?—It was so.

7210. How was it made ? Were the items taken from the separate cash credit ledgers, fixed loan ledgers, and discount ledgers, and brought together in one book ?—It was so.

7211. Did you give instructions for the preparation of that book ?—To the best of my recollection I asked Mr. Blair why such a book was not in the office. It was difficult to get at the state of any man's account while a memorandum had to be sent to a ledger clerk, and another to some other person, and it was hours before we could arrive at the state of any account. I found that I could not get on at all without this book, and I think that it was not fully written up till about July 1865. There was one officer, Mr. Duncan, who looked specially after it; but it was a most laborious work, and it was some time before it was written up; it was July, or probably August, before it was written up.

7212. But still the book is a mystery to us; we never saw it.—That I cannot understand, for I directed the attention of all my brother directors to it.

7213. All the directors whom we have examined know nothing about that book except one. Had it a white cover ?—I do not know that it had any cover. It lay in the directors room on a table by itself in a corner of the room. There can be no doubt about its existence. It cost me many weary thoughts going over it.

7214. How was it made up ? Were the balances brought forward from the different ledgers into this book ?—If a man had a loan it was brought forward, if he had bills with another they were brought forward, if he had discounts with an agency, Mr. Duncan had instructions to bring it forward; in fact everything was brought forward.

7215. A joint discount would have been put under both names ?—Yes.

7216. Would it not have been much shorter for you, for that purpose, to have had a discount list made out, and altered from time to time, instead of having a huge ledger like that ?—Possibly it might have been.

7217. It is a very difficult thing to refer to.—I saw no way of making myself acquainted with the state of matters without it.

7218. The first that we ever heard of it was from Mr. Blair, and he said that it was commenced in March, when he came back from Ajmere.—There was one man told off distinctly to keep it. I think that it was Mr. Duncan.

7219. Do you remember whether it was of much use ?—I found that it facilitated my references, and I therefore recommended the other directors to look it up for themselves.

7220. Do you remember whether any other list was ever made from it, in order to show how much stood against one person ?—I do not know that it was made from that ledger.

7221. There was a list made in July 1865, and as soon as Mr. Brown saw it, he says that he took it over to you, and that you both arranged that you would not make a dividend; do you recollect that ?—I do not recollect it; Mr. Brown's memory would be fresher than mine, he took great interest in the bank.

7222. Was that list made from that book ?—That I cannot say.

7223. It is strange that Mr. Brown did not know of the existence of that book.—I cannot account for it. I have looked into that book myself to the best of my recollection with all the directors. I have gone over it and have occasionally looked for a man's account.

7224. Did it include the branches ?—Yes, it was to include everything; those were the instructions.

7225. (*Mr. Melvill.*) Did it show the securities ?—No, I think not.

7226. (*President.*) Did you as president at all interfere with the management of the branches ?—I could not do so; the bank gave me so much labour beyond my own business that I had not time to devote to the branches as I should

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have liked to have done. I had frequent communications with the inspector, and from time to time I always asked how each branch was getting on, and requested that any particular thing should be brought to my notice, but further than that, I had not time to look after the branches, and I frequently asked my brother directors to take more interest in the branches than they did.

7227. There were discount lists with respect to those branches up to 1864, but there were no discount lists I think, after you became a director, made up as to those branches.—Discount lists made up then by Premchund Roychund would not have been of much use.

7228. But they had been previously made up by him?—Yes, and my impression was that they would have been of no use. None of us were in a position to make up discount lists at that time.

7229. Then what had the agents at the branches to guide them?—They were supposed to be guided by the secretary, with verbal, or written instructions, and circulars, from time to time.

7230. We want to know, as a matter of fact, how advances were given at the branch agencies at the time when you were president; were they left entirely to the discretion of the agent?—They must have been so, probably with the recommendation of the native colleague.

7231. Did not you receive weekly returns from the branches?—We did.

7232. They showed the business done, but not the securities?—That I cannot remember.

7233. Used you to look over those returns?—Occasionally I did, but I had not time to go minutely into them.

7234. Were they laid before you and the directors at the board meetings?—I often asked to see them, but I cannot remember whether they were laid on the board table.

7235. There were also monthly returns?—Yes.

7236. They were rather fuller, were they not, and set out the securities on which the loans were made?—I do not recollect. It seemed to me that the agencies had been too rapidly increased, and that the system of management had never been properly considered.

7237. The agents were appointed by the board, were they not?—They were, at the secretary's suggestion.

7238. Were you always able to get competent men for such employment?—It put the office to very great inconvenience, because as soon as a man was of use there, he was drafted off to an agency.

7239. What did you understand to be the limit of the powers of an agent at a branch?—I cannot answer that question.

7240. Can you tell me whether there was any limit ever imposed on the powers of the agent of a branch?—To the best of my recollection I requested, in March 1865, Mr. Robertson to impose a limit upon them.

7241. You almost stopped the proceedings of the branches in April 1865?—I remember being annoyed with a transaction at the Kalbadevi Branch, and requesting the agent not to discount any more bills there, without reference to the head office.

7242. In April you sent orders that he was not to discount any bills above 20,000 rupees?—I think so.

7243. And in May you sent orders to the agents to send up all their available cash to the head office, which of course put a stop to their business. I want to know what was your view as to the powers of the agents before that period, when you were a director?—I understood that my predecessor, Mr. Birch, had arranged with the secretary about the powers for the branches.

7244. In fact you had not made any rule yourself, and you were not aware of any rule, restricting or defining the powers of an agent at a branch?—I do not remember such a rule in my time.

7245. Did the Inspector of Branches receive any instructions from you as to his duties?—Not from me as an individual.

7246. By whom was he instructed ?—I should think by my predecessors.

7247. Did you believe that the inspector was vigilantly superintending the branches ?—We had unfortunately occasion to send him to inspect several of them.

7248. But did he go regularly round and inspect them ?—In 1865 he had special inspections to make.

7249. That is, after the troubles began; but I mean before then ?—I cannot say.

7250. We have been told by Mr. Fraser, who was afterwards Inspector of Branches, that all the time that he was agent at Kurrachee his branch never was inspected, and we have it in evidence that the branch at Hyderabad was never inspected.—That was a difficult branch to get at. When it was first opened, I believe that Mr. Robertson was very nearly assassinated.

7251. You do not remember the establishment of the Kalbadevi Branch ?—I do not, except that Mr. Bullock was the agent.

7252. What was your opinion of Mr. Bullock ?—I did not know him personally. Most of my knowledge of the Kalbadevi branch has been derived from your own records.

7253. The business there was put a stop to, very shortly after you were president.—The moment that I heard that a bill, which had been refused at the head office, had been discounted there, I requested that it should be stopped.

7254. Do you recollect whose bill that was ?—I think that it was Ardaseer Davur's; but I am not sure.

7255. Are you aware at all how the Kalbadevi branch was managed; did you institute any inquiries, and get information as to how it was managed ?—I did not.

7256. Did you not make some inquiries as to how the agent got informed with regard to advances generally, whether upon discount, cash credit, or loan, and whom he consulted ?—I have no doubt whom he did consult, but I was not aware of it.

7257. Were not you aware, from a report made by Mr. Fraser, that the agent chiefly consulted Premchund Roychund ?—I cannot recollect, but I have no doubt that it was so.

7258. Was it ever brought to your knowledge that Mr. Bullock was in any way connected, either with Premchund Roychund or with Roychund Deepchund ?—Never.

7259. Or that he was in any way mixed up with them, in transactions of any sort ?—Never.

7260. What was your opinion of Mr. Blair's capacity for business in the transaction of the duties of his office ?—The bank had got on well under his management, but sometimes I wondered how it was that it had paid such good dividends.

7261. Under the old Act it was not possible to get very far wrong. Do you think that Mr. Blair was competent to carry on a general discount bank like that established by the new Act ?—From my present knowledge I should say not at all.

7262. But was that your opinion then ?—Mr. Birch considered him to be competent.

7263. Mr. Birch had a high opinion of him, had he ?—He always expressed himself so.

7264. Was it true that any of the directors tried to get rid of Mr. Blair during the latter part of his career ?—He applied for extra leave.

7265. That was some time afterwards; you then no doubt had your eyes open; but I refer to the time when he left.—I cannot remember. I remember having been requested to write such a letter to him as would make him resign.

7266. When he went home in April 1865 were the directors then satisfied with his conduct ?—I do not remember any expression of dissatisfaction then,

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but I remember towards the end of 1865 thinking that I should not like to come in contact with him in the bank.

7267. What do you exactly mean by that expression?—I thought that I might possibly lose my temper with him.

7268. Had you any reason to suspect his conduct for honesty?—Never for one moment, but for want of discretion.

7269. Is it true to your knowledge that Mr. Scott tried to remove him; is that information which we have received correct, and that Mr. Birch always supported Mr. Blair as secretary?—I have a sort of indistinct recollection that such was the case, but I think that it must have been at an earlier period.

7270. Before you were in the direction?—Possibly when I was in the direction before, but I cannot recall it to my mind at this moment.

7271. When Mr. Blair went home in 1865, he went home with how much leave?—Six months, I think.

7272. Then he applied to you for further leave, did he not?—He did.

7273. What did the directors do upon that application?—I was requested by my brother directors to write him such a letter as should induce him to resign at the end of the leave.

7274. Is this a copy of your letter? (*handing Exhibit A* 186 *to the witness.*)—That is a copy of it.

7275. It was the wish of the directors, I suppose, that you should recommend Mr. Blair to resign, in the kindest way that you could devise?—It was so. I may also say that to the best of my recollection, after I returned home to Europe in 1866, I received this draft letter which is in Mr. Robertson's handwriting (*Exhibit marked A* 187). I think that it came to me in a letter from Mr. Chapman, saying, that if Mr. Blair had not sent in his resignation by a certain time this letter was to be forwarded; he did send in his resignation, and I did not forward that letter to him.

7276. What was your opinion of Mr. Robertson as a secretary?—I considered that he was a hard-working man, very much over-worked, and who did the utmost in his power for the bank.

7277. Were you aware that Mr. Blair was at all engaged in transactions with Premchund Roychund, or Roychund Deepchund?—Never, with the exception of one transaction in which I was engaged myself, and which was intended for the bank's benefit.

7278. That was a transaction in Back Bay shares?—It was.

7279. It began in April and ended in August 1865, did it not?—So far as I was concerned it must have ended in May or June; but I would have nothing to do with the loan, and it was taken over by Premchund Roychund.

7280. It was a purchase of 50 Back Bay shares to the extent of 12,59,860 rs.?—Certainly not; never.

7281. What was the transaction according to your account. Our evidence is that Mr. Blair had a transaction to the extent of 12,59,860 rupees in 50 Back Bay shares with Mr. Tracey, Mr. Scott, Mr. Morrison, and you?—Mr. Scott had nothing to do with it.

7282. He withdrew from it; it was taken in his name, and as soon as he heard of it he withdrew from it.—Towards the end of March 1865 Mr. Premchund came to me; I was then getting very anxious about how I was to get on as president of the Bank of Bombay, and he informed me that he had seen Mr. Blair and Mr. Tracey, and that there were influences at work to bring down the prices of all shares.

7283. What did he mean by "influences at work"?—I fancy that it was something connected with time bargains, buyers, and sellers. I sent for Mr. Morrison, and we talked over the matter together, and we came to the conclusion that if by our taking five shares apiece and Premchund buying them it would steady the market, it might do good both to the Bank of Bombay and the Asiatic Bank; it could not have been anything but a loss to us as individuals. This was agreed to; Premchund bought the shares, and at his suggestion the loan was granted in the name of Dossabhoy Dhunjeebhoy his manager. I think that about eight days afterwards he came and said that he

had an order to buy 100 shares, and that he requested us to take other Twenty-five shares. I said that I would have nothing to do with it, but that if he had an order to buy 100 shares, he was to sell those 25 shares and close the transaction. I heard no more of it for a considerable time, and then I found that he had not done so, and I was very much annoyed at this. I found also that a number of the shares must have been his own, and I told him that he must either take over the loan in his own name or pay it off at once; that I could have nothing to do with it. He agreed to take it over, and to the best of my recollection at that time he deposited security. I think that the bill was three lacs, but I believe that it yielded 2,40,000 rupees, and I never had anything more to do with the transaction.

7285. Premchund's books could not have been prepared with a view to this Commission, because they have been out of his custody for two years, and in the hands of trustees, and the entries in his books show a joint transaction by you, Mr. Morrison, Mr. Blair, Mr. Scott, and Mr. Tracey to the extent of 50 Back Bay shares.—It is not so; I had nothing whatever to do with more than five shares.

7286. You knew that Mr. Blair was engaged in that transaction?—We believed that it was represented to him, as it was to us, to be for the benefit of the banks. It could not possibly have been a matter of profit to anybody connected with it.

7287. Why not?—Because the shares were purchased at a high value, without the idea of their ever being higher; that certainly never entered into my mind, but it has been the source of ceaseless regret to me that I ever had anything to do with the transaction.

7287. Was not it somewhat inconsistent with your position to enter into such a transaction with Mr. Blair?—I have often thought so since; but at the time I thought that I was doing what was right, and that I was well advised. I have regretted it very much since. That is the only transaction of which I have any knowledge, that Mr. Blair has had with Premchund Roychund.

7288. Were not you aware that Mr. Blair was very much mixed up with Premchund Roychund?—No.

7289. Were not you aware that he was borrowing money from him and from Roychund Deepchund?—Not at all. With your permission I will mention another circumstance, showing that, with this exception, I never had any connexion with any transaction with any person in Bombay. Premchund's books will show you that he owed me 3,198,000 rupees for the sale of shares, and he states in his evidence that I was a partner in a speculation in Port Canning shares. The fact was that, instead of being a partner, I received from him, instead of cash, payment in shares, because he said that it was not convenient for him to pay the money. He wanted me to become a partner in his speculations, and I said that I would not do it, and instead of that I took eighty Port Canning shares from him, and closed the transaction. These were sold at a loss, which was divided between Mr. Steel and myself. I state that, to show you that I had no joint transactions, when I was a director of the bank, with any person in Bombay.

7290. Had you any knowledge that Mr. Robertson was at all mixed up in such transactions?—I had not. They would naturally be reticent as to their own affairs to me.

7291. You had no notion that he had ever entered into a speculation with Premchund?—None whatever.

7292. Allotments of shares had ceased to be of any value when you became president. You are not aware of any of the bank officials being engaged in speculation whilst you were president?—Not at all, further than having had the transaction with Mr. Blair, which I have mentioned. I have heard that they had allotments of shares. I knew nothing of my own knowledge.

7293. But you heard that they had had allotments of shares in 1864?—Possibly I may have given Mr. Robertson an allotment in the London, Asiatic, and American Company before I came away, but that was not a speculative company, the shares were not intended for sale.

7294. You remember that there was a tightness in the money market in

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May 1865, and that in the beginning of June there was a run upon the bank?—I do.

7295. And you remember the telegram which was sent to the Governor General?—Yes.

7296. And do you recollect that the Government directors were called upon to report?—I think that it did not come before me.

7297. Did not they consult you with respect to the report which they made on the 30th of June 1865?—I cannot charge my memory with their having done so.

7298. Just look over that report and see.—I do not remember it.

7299. They never consulted you with regard to the preparation of that report?—They may have done so, for I had many conversations with them, but I cannot say that they did so.

7300. Do you remark the statement there as to the 39 Back Bay shares?—Yes.

7301. You were not a party to that statement, were you?—Not at all. That would be intended to be under the resolution of the 12th of April.

7302. You say that you know nothing about this report?—To the best of my recollection I do not, but they may have spoken to me.

7303. I will take you to the letter of the 9th of November 1865; do you recollect sending that letter to the Government; it is in the board minute of the 9th of November 1865; I believe that you drafted that letter, did you not?—That I cannot say.

7304. I believe that this is your minute upon the letter of the Secretary of State when it was sent round: "We must consider this most tyrannical communication on Thursday next, R. H."? (*Exhibit A* 150).—Yes; that is in my handwriting.

7305. What do you mean by saying in the letter of 9th November 1865, "The Bank of Bombay has never advanced money directly on shares"?—The meaning must have been that we always considered that we had the security of the applicant as well as the shares.

7306. But, supposing that you lend money on the security of the applicant and of the shares, do you not lend money as much on the shares as on the security of the applicant?—We viewed it otherwise.

7307. I could have understood it if you had said that you had first of all lent on a promissory note, and that you had taken shares as a further security; you might then have said that you never lent directly on shares; but we find many transactions in which you lent money upon a promissory note and shares, and you lent the money just as directly on the shares as you did on the promissory note.—I cannot explain it. I have no recollection of having drafted the letter, but it is quite possible that I may have done so. This letter must have been circulated, and must have had the sanction of the directors, but I cannot see now, how we all could have made use of that expression.

7308. The fact I suppose is, that you do not now defend it?—I cannot defend it, except as I say, that we considered in those days that we had both the bill and the collateral security.

7309. You observe that the draft letter is in Mr. Robertson's handwriting. Was it drawn up by him originally, or by you, or did he draw it up at your dictation?—I cannot say. I have no recollection of having dictated it, but I cannot be positive at this moment.

7310. Do you not recollect that there was a great increase in the value of shares in the months of September and October 1865?—That was so.

7311. It began in August, and culminated about the end of October when they began to go down again?—That was just the time when I was at Poona, from the 18th August to the 6th of October.

7312. Were you aware that Cowasjee Manockjee, one of the directors at that time, recommended Mr. Robertson to sell some of the securities?—I was afterwards aware of it.

7313. When did you first become aware of it?—It is impossible for me to say whether I was aware of it in Poona, or in Bombay, but it would have been almost impossible to have carried out his instructions then to any extent. The bank held so many shares, that if they had then come forward as a seller, there is no doubt that the market would have slipped away from them.

7314. Might it not have been tried to some degree?—It might have been.

7315. And do not you think that you would have realized some of your outstandings by that means?—Possibly, but I think not many of them.

7316. We have distinct evidence that Mr. Robertson refused to do that; we have distinct evidence of debtors who actually wanted their securities sold at that time; they said that the securities would have discharged their debts to the bank.—I should not think that many of them could have got out.

7317. On the whole do you not think that it would have been more prudent at all events to have tried it to a certain extent?—Possibly the directors thought that if they had tried it the public would have said, "the Bank of Bombay is coming out as a seller, and we will not buy;" so that they possibly could not have realized to any extent; but that I cannot say, from its not having been tried.

7318. Does not it show the great importance of such people as secretaries and directors having nothing to do with shares; because if secretaries and directors have a large number of shares themselves, may it not very much influence their judgment in putting shares held by their bank upon the market? —I do not think that it would have influenced my own judgment.

7319. But do you not think that it is a good illustration of the danger of allowing secretaries to indulge in speculations in shares?—I was not aware that they had been so engaged at that time to any extent, with the one exception which I have mentioned, which was intended for the bank's benefit, and not for personal profit.

7320. I will now call your attention to the Government directors report of the 31st of March 1866, at page 30 of the Blue Book. I dare say that you have seen it. I believe that you were consulted about this report?—I remember the report, but I cannot say whether I was consulted. I had many conversations with the Government directors when they were in the bank. I used to see them almost every day, and I most probably had conversation with them as to points in that report.

7321. You do not recollect being positively consulted by them about the figures in that report?—I do not.

7322. They have told us that they did go to you.—If I gave them figures, I got them from the secretary; but they had access to everything which I had access to, and they were quite as able to get the figures as I was.

7323. Were you a party to the statement there which says, "The bank was at this epoch in no difficulty as regards its own affairs"?—We did not think that we were in any difficulty; we thought that we were able to meet our deposits, and at that time there was a great call for rupees; we had a large amount of notes in hand, and we were in such a position that if we had not paid a good many rupees we should have been compelled to have made other parties bankrupt. We had no fear of any stoppage of our own.

7324. Does not it appear from a subsequent statement, in paragraph 7 of that report, that "the great bulk of the capital was locked up in loans and advances to parties from whom it was hopeless to expect punctual payment," and is it not stated in paragraph 14 that the bank was not able to render aid to Government "owing to the greater portion of its capital being unavailable in consequence of the imprudence that characterized the management prior to April 1865, and not in consequence of anything that subsequently took place;" and is it not clear, therefore, that the bank was then in considerable difficulty as regarded its capital?—Yes, as regarded the capital; but this, so far as I know, applied to its daily cash transactions.

7325. That statement in paragraph 4 merely referred to the daily cash balances?—I believe so.

Mr. R. Hannay.

11th Dec. 1868.

7326. I will refer to a minute which you wrote upon that report.—It was a very hasty minute.

7327. Do you remember that Colonel Marriott's minute and the report of the Government director were placed before you, and that you then wrote a long minute yourself about it?—I remember that I wrote it under great difficulty. It came to me on the morning of the mail going out. I was then far from well, and I sat down and wrote a minute which I would not write now, if I had time to consider it better. I had not more, I think, than two hours or so in which to write it, and I had no time to go over it again. I dare say that many of the statements are more rash than they would have been if I had had more time to think over it.

7328. You say, "Colonel Marriott writes as if 321 lacs of outstandings were due on that day, which was of course very far from being the case."—Yes; that would be on the 30th of June. I have not sufficient recollection to explain it. I remember at the time considering that he was having verified, as I thought, my statement at the bank.

7329. Then you go on to say "Had the policy of forbearance not been adopted there cannot be a doubt but that many men, from whom we now expect full payment and interest, would have had to have stopped payment, and the bank would thus have had at once to estimate, what we consider good debts now, as an immediate loss of 50 per cent. or more."—Yes; no doubt at the time it would have been so, that many people, who paid us afterwards, would have had to succumb.

7330. We do not find that.—It was our conviction at the time.

7331. I think that the shareholders would have been very glad to have compromised for 50 per cent. at that moment.—If I had to do it over again, although it would perhaps be one of the strongest courses ever pursued by man, I should do so, but we thought that the other course was the best.

7332. That policy of forbearance was adopted during the course of two or three months, during which prices rose.—Yes.

7333. Then you go on to say, "Colonel Marriott thinks that we should have collected more than 79 lacs before the 31st of December. My estimate in July was, that we could hardly expect to recover more than 50 lacs in the same period. He ignores the fact that upwards of Fifty of the bank's old constituents had stopped payment, and that there was no prospect of our getting any dividends in these estates, or on loans to institutions winding up, within six months. He seems to be unaware of the difficulty attending the winding-up of estates and companies. His idea also seems to be that the said 79 lacs should have been unprofitably kept in cash (I do not think that he said that). I fear the shareholders would have been of a different opinion." Then you go on to say: "The chief mistake was, in my opinion, the increase of capital at shareholders request." What do you mean by that? What is your opinion with regard to the increase of capital?—That minute was written so hastily, and was so ill digested, that I am not very well able to explain it. I was then in very bad health. At the time, I considered the increase of capital a very proper measure. I perhaps might have considered it more prudent if they had stopped at one crore and 50 lacs, but I still thought that the great increase of trade warranted an increase of capital.

7334. There is no doubt about the first increase, or perhaps the second, but do you really think that the last increase was prudent?—I would have been inclined to have tried a crore and 50 lacs first, but at this distance of time I cannot say. I appeal to the circumstances under which my minute was written. I had no idea that that minute was ever to be printed and published, or I should have been at more pains in getting at the figures.

7335. Were you at all consulted with regard to the tabular statement at page 96 of the Blue Book and its preparation?—I think not. I could not have been, for I had left the country before that.

7336. I suppose that as a merchant in Bombay you were considerably mixed up with the share speculations of 1864 and 1865?—I had a good many allotments. I had nothing to do with a great many Companies. I had nothing whatever to do with the Financial Associations with the exception of one, namely, the India, London, and China Association, shares in which were sent to me

by Cowasjee Jehangeer; they were to be divided among some relatives, and those I sold the next day.

7337. What other allotments did you receive?—I had an allotment of Back Bay shares. I had also Port Canning shares. I was interested by my partner in the Mazagon Land Reclamation Company. My original allotment in the Asiatic Bank was a very small one; at least comparatively so. I think that it is down as 650 shares in the list, but of those I only had 275 in my own name, and many of those I gave away, so that I do not think that I had more than 180 shares of the Asiatic Bank.

7338. Have you not been held to be a contributory for a larger number?—Yes, upwards of 1,200.

7339. Had you any allotments besides those?—I had small allotments in little Companies; in the Livery Stable Company I had 20 shares. So far as I recollect I had no other large allotments.

7340. You were a partner in the same firm as Mr. Gavin Steel, namely Grey and Company?—Yes.

7341. (*Mr. Melvill.*) I have the printed report of the speech which you made at a meeting of the shareholders. You said that much for the benefit of the shareholders, the system of investing in Government paper was given up under the presidentship of Mr. Birch. Do you not think that when you had so much money that you did not know what to do with it, it would have been better to have invested in Government paper?—I did not think so.

7342. You were a director in 1862 and 1863; to what extent was the bank in the habit of investing at that time in Government paper?—I do not recollect.

7343. (*President.*) You said in your speech "that Mr. A. D. Robertson had been most blamed with reference to the new charter; but if the truth were told, it would be found that his brother directors considered him exceedingly obstructive, not only in objecting to some clauses then in the bill, but also to some others which possibly, but for him, might have been there." What did you mean by that?—I will endeavour to explain that. At a meeting which was held on the 4th of August 1862, the directors said that they expected that the new charter would have been ready at a previous meeting of the Legislative Council, and we were then under the impression that, had it not been for Mr. Robertson, it would have been got through.

7344. You thought that he did not exert himself to get the Bill passed sooner?—That was the meaning of it. With regard to the other clauses which might have been there, I was a great advocate for being able to send home bills for the purpose of investing at home in Government securities. I was not then aware that Sir Charles Wood had put a veto upon it, and therefore I misrepresented Mr. Robertson, and thought that he was the person who had refused to let that clause pass. I, at a subsequent time, requested that we might be allowed to remit to our own constituents, and it was vetoed at once; therefore I was wrong in that respect.

7345. (*President.*) We do not intend to sit again for the purpose of taking evidence, but are about to prepare our Report. It is possible that we may examine Mr. Blair again upon one or two points, but it will be almost useless to do so. If we do so, we shall give notice to Mr. Le Messurier, or Mr. Low.

Mr. Le Messurier. As far as I can see, sir, it will be no object to us, the shareholders, it will only be for your own satisfaction.

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BOMBAY BANK COMMISSION.

MINUTES

OF

EVIDENCE TAKEN IN INDIA

BY

THE COMMISSIONERS

Acting in execution of Act XVII. of 1868 of the Legislative Council of India.

Presented to the House of Commons by Command of Her Majesty.

LONDON:
PRINTED BY GEORGE EDWARD EYRE AND WILLIAM SPOTTISWOODE,
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FOR HER MAJESTY'S STATIONERY OFFICE.

1869.

BOMBAY BANK COMMISSION.

MINUTES OF EVIDENCE TAKEN IN INDIA

BY

THE COMMISSIONERS

Acting in execution of Act XVII. of 1868 of the Legislative Council of India.

29th June 1868.

JOHN STUART, sworn, examined by the President, Sir Charles Jackson.

29 June 1868.

Mr. Stuart.

I was Accountant of the Bank of Bombay in 1840, and became Secretary and Treasurer of the bank in 1842, and continued to be such Secretary and Treasurer till March 1860. I am now Liquidator of the bank. Mr. James Blair was appointed Secretary and Treasurer of the bank, in succession to me, in 1860. He was, before, Deputy Secretary from about 1853.

The books of the bank have come into my custody as Liquidator. I produce two books containing the minutes of the Board of Directors from 10th October 1861 to 2nd August 1867 (marked A 1, A 2). This is the Application Book ; it extends from the 2nd of January 1862 to the 10th of January 1868 (marked A 3). All applications for advances, either in the shape of loans or cash credits, with particulars of the securities, &c. should be entered here. Bills discounted were not entered in it. This book was always laid in my time before the Directors at their weekly meetings. The Directors would expect to find in it every application for loans or cash credits. I produce two lists of securities taken by the bank other than Government securities (marked A 4, A 5). The securities have been sold. I produce the Register of Bills Discounted from the 1st of September 1862 to the 21st of December 1867 (marked A 6). This was not laid before the Directors at their meetings in my time. I found it the practice to lay it before them when I returned in January 1867. I produce the Past Due Bills Ledger (marked A 7) ; bills past-due are entered here. I do not know whether this was laid before the Directors. There were no past-due bills in my time, and no such book. No statement of outstandings, except the Application Book, was laid before the Directors in my time. I do not remember seeing the Past Due Bills Book laid before them after my return. I produce the Directors' Daily Books (eight in number, marked A 8). The object of this book was to bring the whole transactions of the bank of the previous day to the Directors' notice ; it shows no details, only totals. It was latterly, I believe, circulated daily amongst all the Directors, but in my time it went only to the Daily Committee. The Directors would see what the Secretary was doing every day ; the accounts he was operating on. There is an Overdraft Balance Book (marked A 9). There was no such book in my time ; I found it in existence on my return. No overdrafts were allowed in my time. I produce the following ledgers :—Three Current Deposit Account Ledgers for 1864, three similar ledgers for 1865, and two similar ledgers for 1866 ; three Cash Credit Ledgers for 1863, 1864, and 1865 ; two Discount Ledgers from 1862 to 1866 ; and one Fixed Loan Ledger for 1864 to 1868 (marked A 10 to A 24).

Before I left, in 1860, there was a private discount list entered in Confidential Returns. The Secretary prepared a list of the principal European and Native merchants in Bombay. Six copies were sent to the Commercial Directors, each of whom gave his opinion as to the standing, &c. of the persons in the list, to guide the Secretary in making advances. Each Director put a limit as to the amount of credit he would recommend to be given. The highest limit was two lakhs. If any one applied for a larger discount than two lakhs, I circulated the application amongst the Directors, or if anyone applied who was not in the list. If three Directors differed it went to the full Board. After obtaining the opinions of the Commercial Directors the amount of credit was finally settled by the three Government Directors. There was no practice of taking one Director's opinion on a letter ; I always had the sanction of three Directors. The Directors relied a good deal as to Native customers of the bank on the information of the Native Directors. I considered I could not discount a negotiable security such as a promissory note or a bill of exchange, unless two names were given ; this was under Act III. of 1840. The bills discounted by the bank were ordinarily bills by European firms on their brokers. If two persons applied for a loan on a promissory note, I always took care that they were persons unconnected with each other in business. Cash credits were granted on security of Government securities, goods, and bullion, and railway stock,—never on personal security.

I am a Scotchman. I never heard of cash credits on one name alone in any Scotch bank. I have great experience as a banker. I never was an officer in a Scotch bank. Two or more securities are always required on a cash credit when granted by Scotch bankers. A loan would only have been granted during my management on the same conditions as to securities as a cash credit. I have never known any system of banking which advanced money under the bond or note only of the borrower. Overdrawing accounts was prohibited under Act III. of 1840 ; it is not prohibited in the second Act. It is a very objectionable form of advance. If a man is very rich it may be done for a few days. I do not think any banker would allow it, except for a very short time, and for a very limited amount, to persons of very good credit. I never heard of an overdraft being allowed for 19 lakhs.

I have spoken of the Daily Committee. It is what is called in the Minute Book the Weekly Committee. It was the duty of the Secretary to consult them whenever he had no power. The Daily Committee might be called together for important business. They did not generally in my time attend at the bank daily, but if the Secretary wished to consult them he circulated a minute amongst them. If there was any matter of importance it was referred to the full Board. Questions of discount were seldom brought before the full Board, because the discount list was revised annually.

29 June 1868.

Mr. Stuart.

I produce the Bills Presented Book (marked A 25); it was laid before the Board every week. This book and the Application Book put the Directors in possession of information of every advance, of whatever nature.

I am referred to a paper (marked A 25, 1); this shows that all the first new issue of capital was taken up by the shareholders, and all of the second issue except 47 shares. On my return, in 1867, I found the same form of monthly return to Government which was in use in my time. The form shown to me is the form I refer to (marked A 25 A). The only difference was that the bank were no longer in circulation. I objected, after my return, to the way in which this was made out. I found loans on promissory notes granted without security entered under the head of Loans "on the deposit of other descriptions of securities." I did not think that this gave sufficient information. I made a note on the form that loans on personal securities—meaning promissory notes without security—were included under the above heading. Previous to my doing this Government could hardly have known from the returns that there had been any loans on personal security only. The Government Directors signed those forms, and they knew that there were loans on personal security only. I am not a shareholder in the Bank of Bombay. I produce the Weekly Jotting Book (marked A 26).

To Major M. Innes.—The monthly return to Government is incorrect. Overdrafts should be added to both sides of the account, to the balance of the deposits, and to the advances.

To Mr. Melvill.—When I returned I found that the Private Discount List had been discontinued.

To Major Innes.—The difference between an open loan and a cash credit is, that under an open loan the money is drawn out in one sum; and it differs from a fixed loan in that the borrower can return the money at any time, and is only charged interest for the time he has had it.

This Opinion Book (marked A 27) contains the confidential returns to which I have referred.

Mr. De Ga.

JOSEPH MARIA DE GA, sworn, examined by the President.

I was Ledger-keeper in the Bank of Bombay. I had under my charge the Application Book (marked A 3), and the Cash Credit, Discount, and Current Deposit Ledgers. My duty was to enter the names of all applicants for cash credits in this book. Fixed loans were also entered in this book, but they were in another department, and were entered by another officer. All applications were marked in the book by the Secretary with his initials to the application. The book was laid also before the Directors every week, and was intended to show them all the applications for cash credits and fixed loans that had been made in the week. It begins on the 2nd day of January 1862, and ends on the 10th of January 1868. All applications are not entered in this book, only those are entered for which Government securities, bullion, mint certificates, and railway shares were given. Applications for fixed loans or cash credits on personal security are not entered here. All applications for cash credits on personal security were omitted from this book by order of Mr. Blair. He gave me this order on the first application for a cash credit on personal security being made; the application was from Roychund Deepchund, for one lakh, on the 11th of August 1863. Mr. Blair said that applications for advances on personal security were not to be entered in this book. I asked for no reason; I obeyed the order. I entered all cash credits of the kind in a book called the Interest Book, which I produce (book in three parts marked A 28, A 29, and A 30): it shows interest due. The Secretary only had access to this book to mark the rate of interest. The Directors did not see it; it remained in my custody. By a cash credit on personal security I mean an advance for which a promissory note only, payable on demand, was taken from the borrower. Current deposit accounts in the Bank have been frequently overdrawn: I allowed them to be overdrawn on the authority of the Secretary in each instance. When I received a cheque on an overdrawn account I sent a memorandum to the Secretary as to the state of the account, and asking if I should pay the cheque: he endorsed the memorandum with the word "pay." I kept all these memoranda for my own protection. I now produce them. (Puts in papers and a book, marked A 31 and A 32.)

This book (marked A 32) relates to both overdrafts and cash credits. I am referred to the list at page 96 of the Blue Book of sums overdue over three lakhs of rupees. I do not know anything about the preparation of this return. The Accountant, Mr. Maclean, can speak to it; he is in England.

I know nothing of speculations in shares by the officers of the bank. I had an allotment of ten shares in the City Bank; I had also shares in the Bombay Finance Company. I am not a shareholder in the Bank of Bombay.

To Major Innes.—In opening cash credits in the ledger I entered the amount at the heading of the account.

To Mr. Melvill.—I took orders regarding opening a cash credit from the Secretary. If he was absent I went to the Deputy Secretary, and if he was out then to the Accountant.

30 June 1868.

30th June 1868.

Examination resumed.—I produce a small book (marked A 33); it shows all cash credits granted by the Bank of Bombay on personal security. I kept it for my own protection. The Secretary or Deputy Secretary put his initials to each entry in it, to show that he had received the promissory note, and had authorized me to open the credit.

13 July 1868.

13th July 1868.

Recalled.—On the 12th of July 1865, Cashinath, a clerk in the employ of the Bank of Bombay, asked me to give up to Roychund Deepchund his Government promissory notes, which were deposited with the bank to secure a loan. I sent a memorandum to Mr. Robertson; this is it (marked A 32, page 7):—

"Roychund has not paid off his cash credit a/c Dr. Balance Rupees 51,953-5-9, and Cashinath wants me to give up his Government notes as stands for security.—J. M. DE GA, Accountant."

"Roychund is to pay off his loan; give up the notes.—D. R."

Mr. Robertson wrote the reply which appears there. Cashinath will speak to the notes, being given up. No other securities were given to the bank in exchange, so far as I know. Roychund's debt was not paid to the bank.

29 June 1868.

Mr. Hearn.

29th June 1868.

RISLEY VERNEY HEARN.

I am Solicitor to the Government of Bombay. I produce a draft copy of Act X. of 1863 from the records of my office (marked 1). It is the original written draft of the Bill received from the office of the Solicitors for the bank; the print was made from this. I have not any other document in my possession relating to the Act.

29th June 1868.

29 June 1868.

Mr. Hore.

FRASER SALTER HORE, sworn.

I am a solicitor practising in Bombay. My firm formerly consisted of Mr. Kelly and myself. Mr. Kelly was solicitor to the Bank of Bombay in 1861. I produce a letter, dated 20th June 1861 (marked B 1), instructing Mr. Kelly to prepare the bill of the Act. These are the instructions which were sent to counsel (marked B 2); they were put before Mr. Green. This is the draft of the Act prepared by Mr. Green (marked B 3). I produce another draft, which was resettled by Mr. Green (marked B 4). The words "Struck out" on page 16 are in Mr. Kelly's handwriting. Mr. Kelly died about August last year. I went from Brighton to see him in London the year before last, to talk to him about Section 32 of the Act. He told me that the words "or other public companies in India," were put in at a special meeting of the Committee of Directors. I had often spoken to him about it before. He once told me which Director wished to have inserted in the Act the words "or other public companies in India," but I cannot recollect which Director he named. The words "as hold a guarantee from the Government with regard to the payment of dividends or interest" were, I understood, struck out of the first draft by the Committee. I produce another draft, in which the words are struck out (marked B 5); these alterations in red ink are in Mr. Kelly's handwriting. Mr. Green, who drew the draft, is in England. This letter of the 27th of November 1862 was written by our firm (marked B 6). I suppose the Act referred to in the letter is the English Joint Stock Companies' Act. Mr. Green refers in a note to Act XXI. of 1854. The words must have been put in on special instructions. The words "as hold a guarantee from the Government with regard to the payment of dividends or interest" struck out in the draft, were struck out by Mr. Kelly. I understood him to say that they were struck out on the instructions of the Bank Committee. Mr. Kelly told me this in the course of business. He was in England, and I was coming out to India; and, looking at the circumstances of the time (1866) in Bombay, he thought that some question might arise upon Section 32 of the Act, and therefore wished to give me information on the subject. I am not a shareholder in the Bank of Bombay.

Mr. Rodgie.

WILLIAM RODGIE, sworn.

I was officiating Deputy Secretary of the Bank of Bombay in 1866. I had charge more particularly of the correspondence, and of the suits in court. This statement, at page 96 of the Blue Book, was prepared by Mr. Maclean, the Accountant. I did not assist in its preparation, but, from my long acquaintance with the bank's affairs, I can give some information about it. I cannot say why overdrafts were not included in this list. I do not see in it the overdrafts of the Asiatic Bank. I cannot answer why they are not included in it. I expect Mr. Maclean consulted Mr. Robertson about the preparation of it; I cannot say whether he consulted him or any Director. Mr. Hannay was, I believe, a member of the Consulting Committee of the Asiatic Bank in Bombay. I am not aware that Mr. Michael Scott was on it. I do not know whether Mr. Birch or Mr. Tracey were on it. I do not know whether any of those gentlemen were shareholders of the Asiatic Bank. I believe Mr. Cowasjee Jehangeer was a shareholder of that bank and on the Consulting Committee. I think Mr. Blair and Mr. Robertson were shareholders of the Asiatic Bank.

I am referred to page 96 of the Blue Book, items Nos. 4 and 16, the advances to the Eastern Financial Association. Both those items refer to that association, though in one the word "corporation" is used, and in the other the word "association," so as to give the idea that they are the names of different debtors.

Mr. Slight is in the head office; he wrote this list. Premchund Roychund's loan for twenty-five lakhs is not entered here; it was not overdue; the promissory note fell due afterwards, I believe. I think this list answered the purpose for which Government required it. The loan for 12 lakhs (No. 7) to Byramjee Hormusjee Cama was reduced by the sale of his securities. He was insolvent in 1865; there could not have been a loan granted to him in May 1866. I observe the entry of loan No. 10 for nine lakhs, and an overdraft of Rs. 3,12,000, due by Premchund Roychund; he was liable with Premabhoy Hemabhoy for another loan of Rs. 4,50,000, which is not entered.

Mr. Brown's loans were not entered in the list. I am referred to the list at page 114 of the Blue Book; I believe Mr. Slight made up this list. I do not know of the officers of the Bank of Bombay being engaged in share speculations. I had an allotment of ten shares in the Alliance Financial Association, and of two shares in the Bombay Reclamation Company; they represented 30,000 rupees then. I had seven shares in the Bombay Joint Stock Corporation, and seven in the Eastern Financial Association, which I bought. Pestonjee Cursetjee Shroff and Kessowjee Naik were Directors of the Eastern Financial Association; Cassum Dhurrumsey also. Premchund Roychund was not a Director of it; Alladeen Hubibbhoy was. Mr. Ryan was the Acting Secretary; Mr. William Watson succeeded him. The company paid a dividend; no doubt the company published an account. I was a contributory for seven shares. I remember the promissory note being given to the Bank of Bombay for the ten lakhs by the Eastern Financial Association in October 1864. I do not know anything about the negotiations for the loan. In the cash credit of the 23rd of March 1865 25,000 rupees are entered as paid for calls: I cannot say what this item is without reference to the books. Mr. Ryland left the Bank of Bombay in March 1864; he is now in England. I remember that the Eastern Financial Association obtained money at the Kurrachee and Surat branches of the Bank of Bombay. I do not know how those advances were obtained. The Surat Agent had, I believe, a telegram sent to him to authorize him to make the advance at his branch; the Kurrachee agent was reprimanded for making the advance. I had ten shares in the Alliance Financial Corporation. Dr. Diver, Ghellabhoy Puddumsey, Sewjee Welljee, and Hurbum Nursey were Directors of that company. I do not know whether Mr. Blair had shares in it.

Balkissondass Vizbhoocundas was an officer in the Kalbadevi branch of the Bank of Bombay. A great many bank officials were shareholders in that association. It was a very respectable company. It did not pay a dividend. It shut up in 1865. Premchund Roychund was not a Director of that company. I believe he held many shares in it and in the Eastern Financial Association. Mr. Wilson is the Liquidator of that company. I think Mr. D. Robertson was a shareholder in it. I am not a shareholder in the Bank of Bombay.

I wish to state that all shares taken by me were paid for out of my own money. I did not borrow money from anybody.

30 June 1868.

30th June 1868.

Mr. Slight.

JAMES H. SLIGHT, sworn.

I was employed in the Bank of Bombay as Assistant Inspector of Branches until the bank went into liquidation.

[Looks at Blue Book, page 96.] I compiled this statement under the revision of the Secretary, Mr. D. Robertson, and under the direction of the Accountant. I am not aware that there were overdrafts of above three lakhs of rupees which are not entered in this statement. The Asiatic Bank account was overdrawn, but was not overdue. An overdraft is a running account, and unless the account is called up, I should not call the account overdue. The Asiatic Bank would not be liable to pay at any moment, unless there was such an arrangement. The statement is of sums overdue. I am not aware that there was a fixed day for payment in the Asiatic Bank case. I do not know whether the amount overdrawn was payable on demand. It was not considered overdue. The bank had not declared its insolvency. I suppose Government only wanted a statement of the sums overdue. The heading was sent in by the Government; I saw the letter which accompanied it. I cannot state the date of the letter.

I observed item 4 A, "Financial Corporation, ten lakhs." I know nothing of the cash credit of two lakhs and upwards but what is stated here. I could not trace from the books the origin of the cash credit. Mr. D. Robertson knew it, and gave the particulars. I observe that the name is altered under the branch heading item No. 16. I was instructed to put the branch advances separately. I was not instructed to alter the name to "Association," instead of "Corporation." The probability is that in the books of the branch the word "Association" was used, whilst the word "Corporation" was used in the books of the head office. The sum of 4,20,000 rupees is a further advance to the Eastern Financial Association, making the whole debt sixteen lakhs and upwards. Premchund's last loan of twenty-five lakhs was not overdue on the 30th of June 1866, and is not, therefore, entered. The object of this list was not to show what was advanced, but what was overdue and bad. The list, though made out in November 1866, is only down to the 30th of June 1866. I do not know that Premchund's debt was bad at that time. I had Mr. Robertson's instructions for preparing the list. The other banks had perhaps repudiated their share of Premchund's debt by November 1866, but the return only professed to be to the 30th of June. Mr. Brown's debt was wiped off before I entered the bank's service; it was not due on the books: I cannot, therefore, speak about that debt, or of any of Mr. Brown's debts. The debts were wiped off; that is why they do not appear in the list. Mr. Brown had obtained a release from the Bank of Bombay, although his co-obligors had not.

I turn to page 114 of the Blue Book. I never saw this statement until it appeared here: I can give no information as to how it was prepared. I am Inspector of Branches of "The New Bank of Bombay, Limited." On the 27th of September 1865 I entered as Assistant Inspector of Branches of the old Bank. The duties for which I was engaged were not given to me, as the position of the Bank was so altered. I was employed in compiling statements at the head office. I arrived in Bombay too late to be engaged in speculation. I am not a shareholder in the Bank of Bombay. I do not know of any of its officials having been engaged in share speculations.

Mr. Foggo.

GEORGE FOGGO, sworn.

I am a partner in the house of Forbes & Co., bankers and merchants. I was a Director of the Bank of Bombay from early in December 1860 to December 1863. I believe the necessity for the new Act is best stated in the preamble. The power of issuing notes was taken away, and new business was to be given as a compensation. It was intended to give the bank charge of the Treasury balances and of the Currency Department. I have no distinct recollection as to the instructions given to the Solicitor of the Bank; but the charter of the Bank of Bengal was to be followed as closely as possible. I do not remember any instructions given in the bank parlour; I believe they were given by the Secretary of the bank. I heard the Secretary's letter (marked B 1) read yesterday; I do not know what other instructions were given. I do not remember this draft Act [refers to interleaved draft filed in Secretariat papers, C 2] being put before the Directors. I observed that the words "other public companies in India" are not in this draft. I know nothing of the instructions given to counsel. I remember seeing an interleaved copy of the Act. I do not remember that there were any discussions as to the first draft of the Act. I was a member of the Committee of Directors on the subject of the draft ultimately settled. The draft Act was referred to a Committee of Directors. I think I succeeded Mr. Scott: I may have been on the Committee from the commencement. Mr. Kelly, I think, always attended our meetings. We had several meetings. We went through all its clauses. Mr. Kelly read the draft. I doubt whether I can speak to the draft. Mr. Kelly had it, and made the alterations in it. [Looks at draft marked B 5.] There was, I believe, the draft. I see my notes on it, and my initials. It was probably sent round to the Directors first. I have no doubt this was the draft read to the Committee. I am referred to the business clauses in draft B 5. I am also shown the draft prepared by counsel, in which, in the corresponding section, after the words "other public companies in India" are the words "as hold a guarantee from Government in regard to the payment of dividends and interest." The words "as hold a guarantee from Government in regard to the payment of dividends and interest" were struck out in our draft. It must have been done when the draft was being considered by the Committee. I do not remember why. I have no distinct recollection of the order of the proceedings. Mr. H. Scott, and Mr. Michael Scott, and Mr. Baumbach, were all on the Committee at different times, and I think Mr. A. D. Robertson. I remember that in the discussions in committee I had a copy of the old Act—an interleaved one, I think,—in my hand. I drew Mr. Baumbach's attention to the words "other public companies in India," and said to him, "Is this intended?" "Is this right?" so that the Directors might understand the full import of the power. I may be mistaken about this. Mr. Scott, Mr. Baumbach, and Mr. Kelly were present. I think Mr. Scott was there. After passing the Committee the draft came before the Court of Directors.

[The President quotes from the printed report of the speech of Mr. Hannay at a meeting of the shareholders of the Bank of Bombay, held on the 7th of August 1865, as follows:—"Mr. A. D. Robertson had been much blamed with reference to the new charter; but, if the truth were told, I think it would be found that his brother Directors considered him exceedingly obstructive, not only in objecting to some clauses now in the Bill (Act), but also to some others which possibly but for him might have been there."]

Witness resumes:—It was the attention of Mr. Baumbach I drew to the words "other public companies in India." I never objected to them. I thought they were not precise enough; he did not consider the matter of importance. I do not remember any discussion by the Board about the draft;

they were all agreed. I do not know what Mr. A. D. Robertson's obstructiveness was. I do not remember his taking part in any discussion about these words. I suppose Mr. Hannay had facts for what he said. The consent of the Government of India was not required in the new Act to the increase of capital; but the consent of the Government of Bombay is required by the Act. [Refers to Act.] I see it was not required. I was always under the impression that the consent of the Government of Bombay was necessary. I do not recollect why it was omitted. I do not consider it a prudent alteration. As to the alteration "shares in other public companies," I think no harm would have come of it if proper vigilance had been used. I do not think it justified advances largely in excess of the paid-up value of shares, except on shares of the Government banks. Had I foreseen that it would lead to such an abuse as is shown in the Resolution of the Directors of the Bank of the 12th of April 1865, quoted at page 5 of the Blue Book, I should have objected to the power being given by the Act. Many other restrictions in Act III. of 1840 are omitted in the new Act. Some of them were provided for in a schedule attached to the draft Act which is shown to me. I consider that byelaws should provide for such things. I was not aware that this schedule had been struck out in the Legislative Council. "Cash Credits" is a term used in Scotch banking more than in English. It certainly does not mean credits without security, or to an irresponsible person. I consider it an open account. I think an advance on a promissory note of one person, if he is good, sufficient. I would grant an advance in any form to an individual name if I considered the person perfectly responsible—not to a private individual unless I knew he held a large amount of Government paper, or something of that sort. As to the alteration removing the restrictions against overdrawing accounts, I should have concurred in striking it out; I think it was tying the Directors' hands too much. I would have had it in a byelaw. [Refers to the schedule of byelaws, where it stands provided for.] Before passing the Act I remember the proprietors being called together. They agreed to the new Act being prepared. The clause as to lending on shares attracted attention as soon as the Act was passed. The Secretary was in doubt what to do in case applications should be made for advances on shares. The Solicitors of the bank were consulted. The Directors took precautions. I am referred to the Directors' minutes of the 6th of August 1863, in which the following minute appears:—"Resolved that for the present, and until further orders, any application for advances on any bank shares, or other public company, other than Government banks, be submitted to the Board, and not made by the Secretary." The Directors resolved that all applications for advances on shares should be made to the Board, and not to the Secretary. I cannot remember why this minute appears not to have been entered in its right place. If omitted from the minutes I should have called attention to it. I see I was present at the next meeting. We took another precaution: we wrote to the Bank of Bengal for advice. We received a letter, dated the 22nd of August 1863, from that bank, recorded in the minute of the 3rd of September 1863. We were aware, no doubt, that the schedule containing byelaws had been struck out of the Act, and power given to the Directors to make byelaws. I remember the subject of preparing byelaws was mentioned. Our attention was probably taken up with other matters. I remained a Director till the end of the year. No doubt byelaws ought to have been passed. I am not aware that there were any old byelaws in force. I do not remember any application to the Board for an advance on shares or for a cash credit on personal security. I do not recollect a single application to the Board for a cash credit on personal security only. I understood they were only granted on deposit of Government notes or other similar security. I have looked through the Application Book (A 3) for applications to the Board from August to December 1863. I do not find any application for an advance on personal security or on shares entered in the book. I should have expected to find any such application entered here. This book was laid before us at our weekly meeting for our information. I am referred to Book A 28, and to the following entries of cash credits granted on personal security whilst I was a Director of the Bank:—

	Rupees.
11th August 1863, Roychund Deepchund.	1,00,000
7th September 1863, Calliandass Mohundass and Nusserwanjee Ruttonjee.	2,00,000
8th September 1863, Premabhoy Hemchund and Kursandass Madhowdass.	4,00,000
11th September 1863, Roychund Deepchund.	1,00,000
11th September 1863, Premchund Roychund.	1,00,000
12th September 1863, Rustomjee Jamsetjee Jejeebhoy.	2,00,000
1st October 1863, Premchund Roychund.	1,50,000
2nd October 1863, Veerchund Deepchund and Premabhoy Hemabhoy.	2,00,000
9th October 1863, Bomanjee Cursetjee Cama.	2,00,000
14th October 1863, Premchund Roychund.	1,00,000
17th October 1863, D. Byramjee and Co.	1,00,000
14th November 1863, Rustomjee Jamsetjee Jejeebhoy.	2,00,000

I was unaware of these transactions. Two of them, the loans to Bomanjee Cursetjee Cama, and Dadabhoy Byramjee and Co., have resulted in losses to the bank. The books A 28 and A 33 were not laid before the Board; I never saw them before today. These loans ought to have appeared in the Application Book (A 3).

There were a few branches of the bank in my time. I do not know that private discount lists were kept at the branches. The Agents must have had instructions. I do not recollect what the instructions were. I do not remember their communicating with the Board; they would refer to the Secretary. I cannot tell what the practice was.

[The President refers to paragraph 2 of the minute of his Excellency the Governor of Bombay, at page 41 of the Blue Book, and to paragraph 2 of Mr. Ellis's minute at page 45.]

Witness resumes:—It is not correct to say there was no restraint put on the Secretary in 1863. All large loans at the head office were referred to the Board, and many small ones. I believe power was given in 1861 to the Secretary to advance to the extent of one lakh.

The Commissioners will observe that at page 46 of the Blue Book, in a despatch from the Secretary of State to the Governor-General in Council, in paragraph 2, the following words occur:—"In these papers the mismanagement of the bank during the two years previous to April 1865 is clearly established in the Report of Messrs. F. S. Chapman and Norman (Government Directors), dated the 31st of March 1866." That paragraph is penned under an evident misapprehension with reference to 1863; for the Report of Messrs. Chapman and Norman does not even mention 1863, but in several paragraphs refers particularly to the year 1864 and the early part of 1865. His Excellency the Governor of Bombay, after writing (paragraph 2), condemning the management for two years prior to April 1865, adds in paragraph 3 that his impression is derived from comparing the working system of the bank as described to him by Mr. Ellis, when he was a Government Director six years before, with the system which Mr. Chapman informed him he found in force when he became a Director last year. I would also call

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Mr. Foggo.

attention to paragraph 5 of his minute. He does not there refer to the Directors of 1863 when discussing the responsibility of the Directors. Mr. Ellis's minute says—"I understand that there was no longer any restriction on the amount of loan or credit which the Secretary might give." The Secretary's powers were limited to one lakh up to the end of 1863, so far as I have been able to discover from the minutes; —at least there was a resolution to that effect in 1861. Practically the Secretary referred all large loans and many smaller ones to the Board or to the Weekly Committee.

To Mr. Melvill.—I do not know what Mr. Ellis meant by the standing rule restricting the amount of advance allowable to any one bank or individual. The largest discount in 1863 was three lakhs. There are very few above one or two lakhs: so I find from the books.

To the President.—I produce the Bank's statements of loans, cash credits, &c., published in the *Government Gazette* for 1863. Total in January 1863, 65 lakhs; in July 1863, 64 lakhs, and in January 1864, 68 lakhs; discounts were 52 lakhs, 77 lakhs, and 55 lakhs respectively for the same periods. Interest was not allowed on deposits. It was proposed and I opposed it. I objected at different periods to the practice of referring applications from natives for discounting bills to a Native Director at the Board. I considered that the Secretary ought to inform himself about the circumstances of each applicant. I do not remember any alteration as to the practice of discounting bills. The Secretary had to refer all large ones to the Board. I cannot say why it is, that no applications for discount or loans are entered in the Minute Book between September 1863 and May 1865.

I met the President at Poona, and discussed the increase of capital. I agreed with the President that the first increase was desirable, as the trade of the place was increasing largely, and the power of issuing notes had been withdrawn from the bank. I thought the capital insufficient. There were great demands on the bank for accommodation. The shares were at a fair premium. I was not a Director. The capital was afterwards increased on two occasions. It would have been better not to have made those two increases. I should have preferred waiting. I have sold all my shares in the bank. I was proposed as a director early in 1864, and again in 1865, when Mr. Tracey was elected. I think my rejection was owing to the go-ahead party in the bank, who thought my views slow and obstructive.

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Mr. Foggo.

Witness appears and says—I wish to add a few words to my former evidence as to the amount of advances made by the Bank of Bombay in 1863 under the head of Loans and Credit Accounts on deposit of Government Securities, and under the head of Bills Discounted. The figures I then gave as the amounts advanced on the respective dates are correct, but I have since found, from a statement comprising the entire year, that occasionally during 1863 the amounts were considerably larger, and that in October of that year the total amount of bills discounted was 119 lakhs, and of loans and credit accounts granted on deposit of Government securities 116 lakhs. On the 31st of December in the same year the amount had again declined to 68 lakhs under the head of Bills, and under the other head to 55 lakhs. I wish further to point out that during 1863, and until the 23rd of January 1864 inclusive, the headings in the bank's weekly statements published in the *Government Gazette* were as follows:—

"Loans on deposit of Government Securities.
"Credit Accounts on ditto.
"Bills Discounted."

Subsequently the headings were altered to—
"Loans at Head Office and Branches.
"Credit Accounts at Head Office and Branches.
"Bills discounted at Head Office and Branches."

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Mr. Wyllie.

FRANCIS ROBERT SHAW WYLLIE.

I am an Under-Secretary to Government in the Financial Department. I produce these papers from the Government records relating to the preparation of Act X. of 1863 of the Legislative Council of Bombay (marked C 1 and C 2).

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The Hon. Mr. Westropp.

The Honourable MICHAEL ROBERTS WESTROPP, sworn.

I am a Judge of Her Majesty's High Court, Bombay. I was twice Acting Advocate General, once from the 3rd of July 1856 to the 23rd of April 1857, and secondly, from the 27th of March 1861 to the 14th of July 1862. I was consulted by Mr. Bickersteth, the Solicitor to the Government of Bombay, as to the preparation of the new Act for the Bank of Bombay. I received no instructions in writing. I had several conversations with Mr. Bickersteth, and several letters and other papers were laid before me. I believe an interleaved copy of the old Act, No. III. of 1840, containing manuscript alterations and additions was laid before me. [Looks at C 2.] I believe this is the copy, but I cannot say so positively, as I have neither placed my initials upon it, nor made any additions to or alterations in it. I observe that the words "other public companies in India" are not contained in it. The 11th of September 1861 is the date of my first Opinion. I returned the interleaved copy of the Act. It was in my opinion in too crude and incomplete a state to be forwarded to the Government of India. I was of opinion that a full and complete draft should be prepared by the Solicitor of the Bank. I stated that in the Opinion of the 11th of September 1861. I recommended that a regular draft Act, containing a suitable preamble, should be prepared, repealing Act III. of 1840, and incorporating the powers which were contained in Act XXI. of 1854 and Act XXVII. of 1855, and which powers had not been introduced into the interleaved copy of Act III. of 1840.

A draft in writing, prepared, I believe, by the Solicitors of the Bank, was sent to me in February 1862, from the Financial Department of the Bombay Government, through Mr. Bickersteth. This is it (produced by Mr. Hearn). My second Opinion was given on the 18th of February 1862, and refers to this draft Act. [Refers to C 2.] This is a copy of that Opinion. I gave a further Opinion on the 10th of March 1862; this is a copy of it (in C 2). I am not sure that the interleaved copy of Act III. of 1840 was sent back to me with the new draft. I therefore cannot say whether the difference between the business section 25 in the former and the business section 33 in the new draft attracted my attention; but I of course noticed that the new draft differed very considerably from Act III. of 1840. I should imagine that the words "other public companies in India" in the new draft must have been observed by me, as I have no doubt that I compared all the sections in

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it carefully with Act III. of 1840. I have not referred to any portion of the business clauses in my Opinions of the 18th of February and 10th of March 1862, because the nature of the business which the bank was to be permitted to carry on was purely a question of finance, and not a question of law, and I had reason to know that the new draft laid before me in February 1862 by the Government Solicitor had been furnished to him by the Financial Department of the Bombay Government, in which I believe it had been from the 8th of November 1861, that is to say, for a period of about three months, before it came to me. I thought my duties limited to putting the Act in a legal frame, and that I had nothing to do with its policy. I conceived it to be my duty to see that the proper legal machinery was provided for the purpose of carrying out the intentions of Government, so far as they were known to me. Knowing that the draft had been in the Financial Department of Government for a long time after it had been forwarded to Government by the bank or its solicitors, and that it was sent to me by the Financial officer of Government (who was then, I believe, Mr. A. D. Robertson) without any objection whatsoever to any portion of the business section (then numbered 33, and since changed to 32), I concluded that that section contained a correct statement of the nature of the business which the Bombay Government had determined to permit the bank to carry on. I was aware that it was intended to relax some of the restrictions which had been previously imposed upon the bank by Act III. of 1840, and that that relaxation was intended as a compensation for the bank's loss of the right to issue paper on its own account. The preamble of the draft Act recited that Act III. of 1840 had been found inconvenient, imperfect, and unnecessarily restrictive; and not one word of objection to that recital ever reached me from the Financial Department of Government. Although I do not recollect with particularity my conversations with Mr. Bickersteth, the Government Solicitor, I am quite sure that if any objections had been made to him by Government, or any of the representatives of Government, with regard to the nature of the business which the bank by its new draft Act claimed permission to carry on, he would have told me of it. If we had been told that the Government objected, we should have struck out the part objected to; and had we entertained any doubt, we would have inquired of the Financial Secretary what the intentions of Government were. Any approval which I have given to the draft must be taken to be one within the province of the Law Officer of the Government, viz., that it was sufficient to carry out what I believed to be the intentions of Government. If my opinion had been asked on the policy of the Act, or as to any part of the business which the bank should be permitted to engage in, I should have declined to give it, as the subject was one with which I did not feel myself competent to deal. In that I include the power to lend money on shares of public companies other than railway companies, the interest on the shares of which are guaranteed by the Government of India. Some banks and associations have that power, and others have not. Whether they should have it or not, is purely a financial, and not in any respect a legal question. I should not have felt myself at liberty to object to that power, any more than the removal of the limit of three lakhs on loans which Act III. of 1840 imposed.

I wish to remark that what I have said in my Opinions of the 18th of February and 10th of March 1862 with regard to limited liability is not in any way inconsistent with what I have stated to be, according to my view, the proper province of the Law Officer of Government, and I should mention my reason, in order to prevent misapprehension on the point. The new draft Act contained two sections which were not to be found in Act III. of 1840, or in Act VI. of 1839 (the Bank of Bengal Act). One is the 5th. [Reads the 5th section of the draft Act.] That section contains an express declaration of limited liability, which declaration was subsequently omitted from Bombay Act X. of 1863. The other is Section 42 of the draft, which became Section 44 in Bombay Act X. of 1863, and relates to winding up.

I objected to both of those sections, 5 and 42, but did not object to Section 2 of the draft. I thought it sufficient that the limited liability of the Bank of Bombay should rest upon the same kind of legislation in the new Act as in the old, and in Act VI. of 1839, relating to the Bank of Bengal.

There are no express declarations of limited liability in the new charter (Act IV. of 1862) of the Bank of Bengal, or in its old charter (Act VI. of 1839), and yet under them there is and was perfect limited liability. That limitation of liability was secured to the Bank of Bombay by the 1st section of Act III. of 1840, and to the Bank of Bengal by the same section in Act VI. of 1839, which sections respectively created each of the banks a corporation. The 2nd section of the new draft, and the same sections in Bombay Act X. of 1863 and Act IV. of 1862 (Bank of Bengal), did the same, and thus without any express declaration of limited liability would have secured that liability. The special clauses 5 and 42 of the new draft seemed to me to be in a great measure borrowed from Act XIX. of 1857 and Act VII. of 1860, or from the English Joint Stock Companies' Act of 1856 and the English Banking Companies' Acts of 1857. Express limited liability being given in those Acts, there were very special provisions introduced, as to the addition of the word "limited" to the name of the company, the filing of balance sheets, &c., from which special provisions I was not certain whether Government intended to exempt the Bank of Bombay, and accordingly in my Opinions I noticed that those special provisions had not been introduced into the new draft Act laid before me in February and March 1862. I was contented, however, that the limited liability of the Bank of Bombay should rest upon its old basis, namely, the fact of the Bank being made a corporation, which is the only basis on which the limited liability of the Bank of Bengal now rests and formerly rested. That seemed most suitable to a bank connected with Government.

Question by the President.—Is there any ground for saying that the words "other public companies in India," which occur in Section 32, Clause 1, of Bombay Act X. of 1863, have been derived from any English Joint Stock Companies' Act?

Answer.—None whatever, of which I am aware. None of the general English Joint Stock Companies' Acts nor of the General Joint Stock Bank Acts contain clauses laying down the nature of the business which the companies or banks are to carry on. On the contrary, they direct that the purpose and object of the companies shall be stated in their Deed of Settlement or Memorandum of Association. It would be impracticable in general Acts, such as those intended to apply to companies and banks carrying on various and diverse classes of business, to prescribe specially the nature of the business to be carried on. Nor do the Indian Joint Stock Companies' Acts (XIX. of 1857, or the recent one, X. of 1866), or the Indian Joint Stock Banks' Act, VII. of 1860, contain any such words. For specimens of the English Acts which had become law before 1861 I would refer to the Joint Stock Companies' Acts of 1844 (Statute 7 and 8 Vict. c. 110, s. 7) and of 1856 (Statute 19 and 20 Vict. c. 47, s. 5), the Statutes 20 and 21 Vict. c. 49, and 21 and 22 Vict. c. 91.

I was not a shareholder in the old Bank of Bombay when I advised on this draft Act. I subsequently became a shareholder, and very much to my own sorrow, in February 1865, for the first time. I sold the bulk of my shares in February 1867, and the trifling balance a few days before the Commissioners arrived in Bombay; so that now I have no interest in or claim upon the old Bank of Bombay. I should

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add that if I had been a shareholder when the draft Act was submitted to the Law Officers of Government, I would have requested Government to send it to some other counsel, in the same way that Judges, when companies in which they are interested are litigants in their courts, request another Judge to try the cause.

Amongst the papers which were placed before me there was, I believe (in February or March 1862), a draft of the intended new Bank of Bengal Act. I wish to notice that the new Act (IV. of 1862) as to the Bengal Bank does not adhere to the provisions of the former Act (VI. of 1839). In Section 27 of Act VI. of 1839 there was a provision that the Directors should make no loan or advance upon any bank shares; but in Section 30 of Act IV. of 1863 that is altered, by its being provided that the Directors of the bank shall not make any advance on any share or stock in the bank itself. Now, unless controlled by Section 27 of the new Act, specifying the business of the bank, that would almost indicate that they had power to advance money on the shares of other banks.

There is one other point which I wish to mention. As my friend the late Mr. Lewis, recently Advocate General, is no longer amongst us, I wish to call attention to something which occurred after he relieved me of my duties as Acting Advocate General. In its later stages the draft Act was submitted to him. When, in March 1862, I had sent the draft back to the Bombay Government, a fair copy of it was by that Government forwarded to the Government of India, and a like copy of it to the Secretary of State for India. The words "other public companies in India," which have since attracted so much attention, were not commented upon by either, but other portions of the business section were. The draft appears to have been subsequently sent to Mr. Lewis with a copy of Mr. Secretary A. D. Robertson's letter (dated 21st November 1862) addressed to the Secretary of the Bank of Bombay, in which he draws the attention of the Directors to what he calls the "verbosity" of the Bombay Bill as compared with the Bengal Act, and says: "I am instructed to suggest that, for many reasons, the wording as well as the order of the provisions of the latter should be adhered to as far as possible." It would have been impossible for Mr. Lewis to suppose that Mr. Robertson meant by that suggestion that any alteration in substance should be made in the draft Act. The alterations indicated by that portion of the letter were merely verbal, and of order, and had no reference to the nature of the business to be transacted by the bank. I say this with reference to Mr. Robertson's letter of the 31st of January 1867, addressed to the Chief Secretary of the Government of Bombay.

In speaking of the duty of the Advocate General I spoke of him merely in his capacity of Law Officer of Government; but in the Legislative Council of Bombay the Advocate General, as a Member of that Council, would of course be entitled to criticise or object to any Bill when brought before the Council, either as to its financial policy or in any other respect. The draft Act when it was submitted to me was intended to be passed by the Legislative Council of India, but the Government of India subsequently thought it desirable that it should be passed by the Legislative Council of Bombay, of which I was not a Member in that part of the year 1863 when the draft Act was brought before it.

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Mr. Lidderdale.

30th June 1868.

FRANCIS FREDERICK LIDDERDALE, sworn.

I am a partner in the firm of Remington and Company, Bombay, Merchants and Bankers. I was elected a Director of the Bank of Bombay in December 1863, and continued a Director until July 1866. In 1864 there was an increase of the Capital of the Bank. It did not meet with my assent. I opposed it at the Board, and at the meeting of shareholders, on behalf of myself and of a Native Director. I considered it was not requisite, and that it opened a door for further speculation. Mr. Cassels made a false impression by stating that the trade of the port had increased. The value of the exports had increased, but not the general trade. There were demands for more accommodation from the Bank, but not for legitimate purposes. Speculation had commenced in 1862, and reached its climax in February and March 1865. My opinion has not changed, having regard to the purposes for which money obtained from the Bank was used. I was the only objector at the public meeting, on behalf of myself and the Honourable Rustomjee Jamesetjee Jejeebhoy. My objection never took the form of an amendment, the feeling of the meeting was so evidently against me. Looking at it now, the object seems to have been to obtain new shares at par, and to realize a large premium on them. I do not know that there was any ulterior object.

I am referred to the Board's Resolution of 6th August 1863. I cannot say that I was aware of that Resolution until some time after my appointment. There was a tacit understanding that no advances should be made on shares except shares of Companies guaranteed by Government. My impression is that that was understood at the Board. I am not aware of any advances on shares having been made down to April 1865. I am surprised to hear that there was an advance on 27th October 1864, on Bombay Reclamation Company's shares to Dossabhoy Hormusjee. I find no entry of any application for such loan in the Application Book. I could only have found out such applications from the minutes. The Daily Book would not have shown it to me. I am not aware of advances having been made to Byramjee Hormusjee Cama in January and February 1865 on Bombay Reclamation Company's shares and Elphinstone Land and Press Company's shares. In the Application Book there is an advance entered to Byramjee Hormusjee Cama on Government paper. I left Bombay on the 15th March 1865, and did not return till 10th June 1865. I do not find the name of Kursundass Madhowdass entered in the Application Book on the 5th November 1864. I am surprised to hear that he had an advance on shares. There is not any entry of an advance on shares to George Taylor on the 28th December 1864. The name of Atmaram Madhowjee does not appear in the Application Book under the date of 8th April 1865. Those applications should have been reported to the Weekly Committee and to the Board. The only means the Directors had of knowing would be the accounts laid before them at the weekly meeting, or a circular to them. We might have come to know it from the Daily Return, if we saw a large sum had been drawn out under any particular head; but it might easily have escaped attention. One might ascertain it from carefully examining the Daily Book. No doubt details of the names of borrowers, and of the advances to them, should have been laid before the Directors, but it was not done. There was an objection raised on several occasions by a Native Director to bringing the names of applicants before the Board, lest they should be scared away, and obtain accommodation elsewhere more easily.

I am referred to the Minute containing the Board Resolution of 3rd March 1864, which is as follows:—

"Under short Minutes of the 1st instant, the following proposition was adopted, in regard to loans and discounts for the present:—

"With reference to the enclosed letter from Cowasjee Jehangeer, Esq., I would respectfully suggest, that his proposal to grant Loans only for one month be adopted for the present, but in regard to Bills I would recommend, that instead of refusing all Bills having a longer time to run than one month, the

amount advanced to each individual or firm should be limited to Rs. 50,000. The Bank would by this means retain the favour and goodwill of its regular constituents."

That I imagine is an embodiment of Cowasjee Jehangeer's note to the Secretary. The suggestion was made by the Secretary. It was only a temporary measure necessitated probably by a tightness in the market, on account of cotton to be paid for up-country.

I am referred to the Board Resolution of 11th April 1864, removing the restriction as to one month. That probably referred both to the restriction as to time and to that as to the amount of loan; reference to the latter being omitted inadvertently. I remember Mr. Cowasjee Jehangeer wishing to increase the powers of the Secretary. He wished to give him a veto upon the proceedings of the Board upon certain questions. Mr. Birch minuted against it, and I concurred with him. Cowasjee wished to give the Secretary absolute power to grant loans. I defeated that object. My idea of the power of the Secretary was that he could grant advances to persons of undoubted standing for a moderate sum, say, a lakh or a lakh and a half of Rupees. I cannot say exactly what Mr. Birch meant by the words in his minute "the power which he (Mr. Cowasjee) wishes to confer on the Secretary and Treasurer of the Bank, is practically conceded to that Officer."

I am referred to the Board's Minute of 2nd June 1864, in which the following passages appear:—

"It is respectfully suggested that the number of credit accounts might be greatly increased, if the system practised in Scotland was introduced, viz., on a Bond for a certain amount being signed by the party requiring the accommodation, with or without good names as security, according to the credit of the party."

"At present, no person, in however good credit, can have a credit account with the Bank, unless he can lodge Government paper as security, besides signing a Bond, which has to be renewed every three months."

I do not know anything about the Scotch system. I remember the discussion on that proposal. There had been several discussions before. After a long discussion it was agreed to give the power, and I think a limit was attached. I was under the impression that a limit as to the amount of the advance was laid down, but looking at the Minutes it does not appear that it was so. It was agreed to after discussion by a majority of the Board. Advances might be made upon one good name, or to one good firm. Unless two borrowers were undoubtedly good, I should not consider having two names equal to one good one. From what I have heard this morning, I think that in his second statement Mr. Blair seems to have misled the Board and himself too; I mean in stating that up to that date no person could obtain a Cash Credit without depositing Government paper.

Question.—What do you mean by saying that Mr. Blair misled the Board and himself too?

Answer.—It is clear that Mr. Blair misled the Board. I was not present when the Resolution of 12th April 1865 was passed. It was not the previous policy of the Bank to advance on shares. My notice was called to it after my return from China by several shareholders. I expressed my disapproval of it. I did not think it necessary to make any formal objection. There was no action on it after my return. Up to the passing of the Resolution of the 2nd June 1864 it was the practice to bring all applications before the Board, and to enter them in the Application Book. After what I have heard to-day I should not be surprised to find that all applications were not brought before the Board. The Secretary was accustomed to refer applications to Cowasjee Jehangeer or Premchund Roychund for their opinion, but only in order to obtain information. This did not exempt the Secretary from the necessity of reporting to the Directors. If he reported, it should appear in the Minutes. Until 1865, just before I went to China, I was not aware that loans were granted on the recommendation of a Native Director alone. A small loan might have been granted by the Secretary up to half a lakh of Rupees. But all above that should have been reported. On finding out the practice, I proposed a resolution that no renewals should be made without a payment of twenty-five per cent., and that such loans should not be continued. I cannot find my resolution on the Minutes. I believe it was at the meeting before my departure. I cannot say who was present. I objected to loans of a large amount being granted without the knowledge of the Board. I was not then aware of the extent of the loans, or of the large amounts of them. I was not fully aware of the large loans which had been granted until I succeeded Mr. Hannay as President of the Board in 1866. I satisfied myself that the system of book-keeping allowed of the Directors being misled. There were several accounts, each kept by a different person, and it was impossible to ascertain at a glance how much anyone owed to the Bank. When we sent down into the Bank for information, it appeared difficult to ascertain how much was owing by a particular individual. The information was perhaps imperfect from the hurry in which it was given. The Daily Book would not help a Director much. There ought not to have been any difficulty in discovering that a payment of ten lakhs had been made to one person; but there were so many changes in the staff that it was difficult to obtain information as to what had been done. In granting cash credits, I should say that the Secretary only had power up to a certain amount. All cash credits should have been entered in the Application Book, as also should all loans. The Directors could not possibly ascertain the existence of such loans, if not entered in the Application Book, without examining the books. Until the passing of the Resolution of April 1865 the Secretary could only take Railway shares, Government paper, Mint certificates, and bullion and deposit receipts by way of security. I state broadly that, up to June 1865, I was not aware of loans on shares. As to loans on personal security, I was aware money had been lent in several instances with the authority of the Board, or rather the Weekly Committee, to whom the applications were circulated. I find such loans referred to in the Minutes of the Board. I cannot remember any special case. I must have been aware of some loans, and I supposed they were granted by the Weekly Committee. There ought to have been their minutes on each application. I know that such minutes existed in 1864. They were sent to me as a member of the Weekly Committee. They may have been lost in removing the Bank. I do not think that advances were generally given solely on the authority of the Secretary after consulting a Native Director.

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Examination continued.—I wish to correct a statement which I made in my former evidence. I find, on referring to a report of Mr. Cassel's speech, that I was mistaken in attributing to him the statement as to the increase of the trade of the port.

I did not understand Mr. Birch's allusion to the powers of the Secretary. I thought the Secretary had power to lend to the extent of half a lakh or a lakh, as I stated in my evidence the day before yesterday.

I look at a letter of 15th March 1866, from Mr. Hannay to the Directors (marked A 34), and Mr. Robertson's letter of 7th March 1866 to Mr. Hannay (marked A 35), which are shown to me.

Question.—Is it not clear from a perusal of Mr. Hannay's letter that the Directors did not know

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what the powers of the Secretary were in March 1866?

Answer.—It is clear.

Question.—Is it not clear that the chairman thought that the best course to pursue was to write to the Secretary and inquire what his powers were?

Answer.—Yes, it is clear.

Question.—Is it not clear from Mr. Robertson's letter that he claimed almost unlimited power as Secretary?

Answer.—Not altogether.

Question.—Does he not say as to his power to discount Bank Bills and Bills on good houses of a currency not exceeding sixty days, "there is no limit, but I have hitherto seldom taken over three lakhs of the paper of one house?"

Answer.—He does claim that power. He does claim to have more extensive powers than I admitted him in my evidence on the former occasion to have had, and to have exercised,—but I do not admit that his letter states the proper understanding as to his powers.

Question.—Does it not appear from Mr. Hannay's letter that, although he proposed a restriction of the Secretary's powers, he does not dispute the fact that the Secretary had up to that time exercised those powers?

Answer.—He does not dispute it, but I do not consider he touches upon that in his letter.

Question repeated.

Answer.—He does not dispute it.

Question.—Does not the Chairman propose certain restrictions, one of which is, to restrict the power of the Secretary as to discounting bills of private houses to the amount of three lakhs of Rupees, any increase over that sum to have the sanction of two members of the Board?

Answer.—Yes, but the Secretary has to report to the Board.

Question.—But not before granting the application—Is he not to be at liberty to discount Bills at his discretion to the amount of three lakhs?

Answer.—Yes.

Question.—Does not Mr. Hannay say no new loan is to be granted in these exceptional times over one lakh without the sanction of the President or two members of the Board?

Answer.—Yes.

I do not concur in Mr. Hannay's opinion expressed in his letter. It is pointed out to me that I was present at a Board Meeting on the 19th March 1866, when rules were made by which all the extended powers proposed by Mr. Hannay were granted to the Secretary, and his power to grant advances to Banks was extended to five lakhs. I was under the impression that I had not concurred in that Resolution. I should like to refer to the scroll Minutes to satisfy myself whether I was present. I cannot remember it. I have found my name entered as attending at meetings when I was not there.

Question.—Did not the Resolution of 12th April 1865, printed at page 5 of the Blue Book, leave to the Secretary's discretion great latitude as to advances on shares?

Answer.—It would read so.

Question.—Is it not clear from Mr. Birch's minute read the other day, and from these letters of 7th March and 15th March 1866, and the Resolution of 12th April 1865, that the Secretary had much greater powers than you admitted.

Answer.—I cannot admit that the Board were of Mr. Hannay's opinion. That was Mr. Hannay's view.

Question.—If you dissented from Mr. Robertson's assertion of his powers, was it not your duty to record your dissent?

Answer.—It was, undoubtedly. I cannot say that I did so, I cannot find any documents whatever relating to it. I cannot say as a matter of fact that I did record my dissent. If I did so in the form of a resolution unseconded, it would not appear on the minutes. I do not suggest that I made such a motion, and that it was not seconded. I have asked to see the scroll Minutes. Looking dispassionately at those documents, it convinces me that the Secretary assumed powers which I was not aware that he had at the time. The Minute of 12th April 1865 gave him the power of advancing on shares to any extent. After reading those documents I am satisfied that the Secretary had greater powers than I considered him to have when I made my former statement.

Question.—Is there any minute between 6th August 1863 and 12th April 1865 which limits the powers of the Secretary permanently?

Answer.—I am aware of none.

Question.—After 12th April 1865 till the rules of 19th March 1866, do you know of any limit put upon the powers of the Secretary? (Mr. A. Brown suggests one of 4th May 1865. Read as follows:—

"No new constituent of the Bank shall receive credit beyond three lakhs without the sanction of three Directors.)"

Answer.—I was not in Bombay on 4th May 1865, and do not know why that resolution was passed. The resolution certainly seems by implication to give the Secretary power to advance sums beyond 3 lakhs to others than new constituents. It would seem that my former statement as to half a lakh must have been incorrect. My attention was first attracted in March 1865 to the fact that the Bank was making advances (other than discounts) on personal security. I cannot tax my memory with having made any remarks about it. To a certain extent I approved of that course. I am not aware that it ever came under discussion, or occurred to me to consider whether the Secretary should have the same power to lend on personal security as on other securities. I thought it material, but that it was controlled by the knowledge which the President and Directors would have of those advances. I relied upon the advances appearing in some form or other before the Directors concurrently with the granting of the loans. The practice was to circulate on a minute to the Weekly Committee the proposals for loans. All applications for loans should have been entered in the Application Book or in the Register of Bills discounted. The Application Book was not always laid before the Directors at their weekly meeting. To persons of certain standing, and with a limit, I had no objection to loans on personal security. I would not have assented to very large loans on personal security. None of the Directors objected to advance on personal security to my knowledge.

As to loan No. 1, Ardaseer Cursetjee Dady, 8th December 1864, a discount for Rupees 1,50,000. I recollect nothing of that transaction. My recollection of him at that time is that he was a merchant of respectable standing and of a respectable family. It appears to have been a promissory note on a single name. No security was taken originally. I do not know by whom he was recommended to the Board. [Looks at a letter shown to him.] The endorsement upon this letter is in a handwriting which I recognize. I believe Ardaseer Cursetjee Dady shortly afterwards submitted a statement of his affairs to his creditors. On the 29th June 1865, the Board, with my concurrence, sanctioned his estate being wound up by Trustees. My recollection is that the assets were so satisfactory, and of such a nature as to lead to our assent. We had, I have no doubt, a statement of his affairs before us produced by the Secretary. I cannot recollect whether he informed us that he had verified the statement. I exercised my own judgment. I did not anticipate that there would be a loss of 74,260 Rupees in the transaction.

My attention is called to loans by the Bank of Bombay to the Alliance Financial Corporation. The first advance appears to have been one of five lakhs to Dr. Diver, Hurbhum Nursey, Ghellabhoy Puddumsey, and others, Directors of the Association, on the 21st October 1864. I have referred to the Bank's books, but can find no trace of the transaction, except that a bill was discounted for five lakhs. I do not find that

any security was taken. The loan appears to have been to Dr. Diver, Hurbham Nursey, and others as Directors. They were considered respectable and of means. Dr. Diver was an uncovenanted doctor, and a speculator. The Alliance Financial was a Corporation for lending money and other purposes. On making the advance inquiries would be directed to the character of its shareholders and of its Directors. I believe the Directors were Directors of other Companies.

I find there was a lakh lent to the Deccan Cotton Cleaning Company. Hurbhum Nursey was a director of that. A separate loan of one lakh was made to Ghellabhoy Puddumsey. I have no doubt an inquiry was made as to the list of shareholders in the Alliance Corporation. I think Mr. Blair would inquire, though he was a shareholder in the Company. I did not know that Mr. Blair had 30 shares, and that Mr. Robertson had 25 shares in that Company, or that Mr. Ryland had 25 shares in it. I think on 21st October 1864 Mr. Ryland was an Officer in the Bank of Bombay. I was not aware that Gopall Shaba Senoy Shroff had 5 shares in it, or that Balkissondass Vizbhoocundass of the Kalbadevi Branch, had shares in the Company. Premchund Roychund was not a Director of the Bank of Bombay when the five lakhs were lent. I did not know that he had a thousand shares in the Alliance Financial Association. I cannot speak positively as to any inquiry that was made as to the character of the Company when the advance was made. I did not know at the time, but I know now that Premchund Roychund recommended the Company to the Bank of Bombay. I believe he retired from the Board of the Bank of Bombay on the 29th June 1865, under certain conditions. I do not remember reading the letter from the Bank of Bengal about advancing on the shares of such Companies until it was referred to before the Commission. I consider it decidedly lending on more than one name. We had the security of the shareholders. I myself made no inquiry about the Company. I cannot recollect instructing the Secretary to do so.

I must have been cognisant of the loan. I am informed by Mr. Rodgie that the second advance made to that Company of Rs. 1,06,000 was a renewal of two small loans. I have not traced them. Terms of compromise were offered by the Company to us and rejected about April 1866. We did not consider the terms offered sufficiently favourable. They offered two lakhs down, and to bind themselves to settle the balance six months after date, with interest at 9 per cent. We have only obtained 1,16,000 Rupees. We did not think that we should get the two lakhs or any cash whatever. The Directors did not consider it a fair offer from inquiries we made outside. I believe we tried to get cash from the parties offering. It was refused because the Bank Directors expected to get more.

Dr. Diver has been released by the Insolvent Court, I believe, not by the Bank. The advance appears in the Discount Book, and must have been noticed.

I am referred to the statement of Mr. Brown's loans, at page 114 of the Blue Book. Rupees 2,50,000 were advanced entirely without my knowledge. I have reason to know that. The advances of 50,000 Rupees, and 30,000 Rupees ought to have been known to the Bank Directors, as they were discounts. The application for the loan of Rupees 2,50,000 does not appear in the Application Book. I know Mr. Brown slightly; he was an exchange broker, in excellent business, in partnership with Mr. Best. I believe he was formerly an assistant in the establishment of Smith, Elder & Co., Booksellers at Bombay. Mr. C. F. Heycock was in business for himself, and a son of the Manager of the Central Bank. He absconded from Bombay. I believe Mr. Brown is in England on holiday. I think he was not here last month. I do not know Venayek Pandoorung. Mr. Macfarlane is a Solicitor. I do not suppose he is in large practice. Brown and Best went under trust in June 1865. Their business is still carried on. I understand that no security was given for the 2,50,000 Rupees. The other two loans must have been running when that sum was lent.

[Looks at page 114 of the Blue Book.] I do not know anything about the preparation of this return, in which the loans are transposed, and the dates all omitted. Mr. Robertson did not consult me about the return. I first heard of this transaction when I came back from China in June 1865. I objected, to the Secretary, and told him that the loan should not have been made. I considered that the personal standing of the borrowers did not warrant it. I only objected verbally. Share certificates were afterwards deposited with the Bank as collateral security for the loan of Rs. 2,50,000; 46 Port Canning shares, I think. I cannot speak as to this loan having been renewed. I do not know who recommended the loan. The letter now shown to me gives me information on this point. The loan was subsequently discussed at the Board. I cannot say whether any of my co-Directors knew of the granting of the loan. I do not remember that anything transpired at those discussions as to their having known of it. Mr. Brown subsequently received a release from the Bank.

I am referred to the following passages in the minutes of the Board of 6th July 1865.

"Read letters from Messrs. Dallas, Lynch, and Langdale, requesting the consent of the Directors to the execution by the Secretary of the Trust Deeds of Nowrojee Ardaseer Davur and Bhawoo Dajee."

"Sanctioned, and the Secretary authorized to attend meetings of creditors of parties indebted to the Bank, and at his discretion, to agree to any resolutions proposed and agreed to by the representatives of other Banks; and he is further authorized to sign all agreements, deeds, or other necessary documents in connexion with such estates, reporting the same to the Board at their first meeting thereafter."

I do not believe that I concurred in that resolution. I see no record about my not concurring. I think that the investiture of power was an improper one. On 13th July 1865 the Secretary reported that Mr. Brown had laid a statement of his affairs before his creditors. There is no record in the Minute Book of what I did. My resolution is not entered because it was not seconded. I moved the following resolution:—

"To add to resolution passed on the 6th instant, with reference to power to the Secretary to attend meetings of creditors, with discretion to agree, &c., the words, 'in cases where there are no special circumstances which should be known to the Directors.'"

Mr. Robertson, the Bank's Secretary, attended the meeting of Mr. Brown's creditors. I did not.

On the 20th July 1865 there was a Board meeting. I objected to the signing of the release. I thought that the report showed an amount of speculation in a short time that was not justifiable, and it was currently reported that Mr. Brown had not disclosed the names of parties who had speculated with him. He failed for two crores. I moved the following resolution:—

"That in the case of Mr. F. L. Brown the Secretary do not sign a deed on behalf of the bank."

It was not seconded, and does not appear on the minutes.

On 13th July 1865, Messrs. Hannay, Lushington, Ballard, F. S. Chapman, Tracey, Cowasjee Manockjee, and I, were present. On the 20th July Messrs. Hannay, Lushington, Tracey, Brown, Cowasjee Manockjee, and I were the Directors present, and Colonel Ballard and Rustomjee Jamsetjee Jejeebhoy were also there. I was defeated because no one went with me. It was urged that it was impolitic to allow the public to know that such loans were made of the Bank's money. There was hesitation on the part of the Directors about allowing Brown to go through the Insolvent Court. It was thought undesirable to allow the transaction to be made a matter of public discussion.

Mr. Best was subsequently released. He is in Bombay. I was present at a Board meeting of the 17th July 1866, and consented to Mr. Best's release. His transactions appeared of a much smaller amount, and

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much more straightforward than Mr. Brown's. He was to pay half his income for the next two years to the Bank. As to Mr. Macfarlane I do not know whether he has been released. On 1st February 1868 I was not a Director.

[After a short adjournment, on the sitting being resumed, the witness spoke as follows] :—

With reference to Mr. Brown's release. I wish to say in addition to what I have already stated about the release to Mr. Brown that my colleagues considered that the Bank was not called upon to put itself in the position of a public prosecutor or a censor of morals.

Examination resumed.—As to the Eastern Financial Association a loan of 10 lakhs was obtained by it from the Bank of Bombay on the 18th October 1864. All the Discount Minutes and Memoranda of 1864 are not forthcoming. I first became aware of the large advance to the Eastern Financial Association in June 1865. It is entered in the Register of Bills Discounted. I do not think the Register was regularly laid upon the table before the Directors. The Daily Books would show that more than 10 lakhs had been disbursed on the day before under the head of Bombay Bills. I certainly ought to have had my attention attracted by so large an item. The Bills Discounted Book would have shown the name of the borrower. There is no entry in the Application Book of the 25,000 Rupees on the 15th August 1865. The item of 23rd March 1866 for Rupees 1,86,441 does not appear in the Application Book. We heard of the bills discounted by the Kurrachee Branch, and found fault with the Agent there. I cannot remember that the large debt was brought to our notice until the crisis. I cannot recollect any inquiry being made by the Board about these transactions. I cannot say whether Mr. Blair made any report to the Board about them. I can find no trace of it. I think he must have done so. I was not in the habit of looking at the Opinion Book. I never saw it previous to becoming President in 1866.

The entry referring to the Eastern Financial Association is in Mr. Blair's handwriting. I do not know who recommended the Association to the Bank. I did not make any inquiry. I believe the Application Book was put on the table after an application was granted. I should say Mr. Blair was taken to task about the loan of 10 lakhs, and that he said he had made the loan with the sanction of his Directors. I do not think I ever saw this letter before (marked A 36). I know the handwriting. I have seen the return commencing at page 96 of the Blue Book. I have not seen the letter calling for this return. I should consider all overdrafts overdue unless by special agreement. The manager and Mr. Birch, who daily visited the Bank, would probably remember these large loans. I think they must have been brought before Mr. Birch. I instituted no inquiries about the Association. An inquiry was instituted when the Association could not pay—about June 1865, I think. I have no recollection of finding anything out about the Association. There were such innumerable inquiries. I should say the payment of 15th August 1865 was brought before the Board and sanctioned. It was a payment of a call for shares. About August 1865 I was informed that Pestonjee Cursetjee Shroff was a shareholder in the Association.

As to 50,000 Rupees advanced to Mr. Currie and Mr. S. M. Pelly, I know nothing about the loan. Mr. Currie was a manager of a Bank. They were not in trade. I should not have lent money to any person who applied.

With regard to the advances to Cursetjee Furdoonjee, there was a fixed loan on the 28th December 1864 of Rupees 6,25,000, and an advance on the 16th January 1865 of Rupees 3,00,000. There is also apparently a cash credit for Rupees 2,08,366. There is a loss altogether on this account of Rupees 10,25,520.

I cannot trace in the books any particular reference to these loans. If the circular or Discount Minutes were forthcoming, some trace would be found of them. Cursetjee Furdoonjee had obtained Rupees 9,25,000 without security. He gave security, I am informed, when the third loan was granted. I should say that the feeling of the Board was that his position and standing warranted a large loan. He was very largely engaged in trade, and was probably considered one of the wealthiest merchants in the place. I have heard of fixed loans without security by English banks. I cannot speak of any existing English bank making such advances. The feeling at the time was that Cursetjee Furdoonjee was of good standing. In April 1866 there was great distrust. We wrote off 7 lakhs of his debt in September 1866 as irrecoverable. There had been a great fall in cotton. He was connected with the firm of Sirjamsetjee Jejeebhoy, Sons, and Company. He had large dealings with Rustomjee Jamsetjee Jejeebhoy. It was not known that they were trading together until after Cursetjee failed. I was not aware that there were any joint transactions between them, so far as their business came to my knowledge in my business. I do not think that the Directors could have ascertained that they were dealing together. Cursetjee had turned the tables upon Rustomjee, bringing him in a debtor, although Rustomjee claimed to be a creditor of Cursetjee. I do not think that the Directors could have considered that an advance of 11 lakhs to Cursetjee and of 14 lakhs to Rustomjee were one and the same thing. I do not know who recommended this large advance to be made to Cursetjee Furdoonjee.

I look at a letter of 4th January 1865 which is shown to me (marked A 37). This is Mr. Blair's handwriting. Rustomjee Jamsetjee Jejeebhoy was a Director of the Bank on 28th December 1864 and 16th January 1865. Premchund Roychund was also a Director on those dates. I turn to the Application Book. I find an application by Cursetjee Furdoonjee, on 27th December 1864, for a renewal for 3,20,000 Rupees at 10 per cent. interest on security of Government paper of the value of Rs. 3,09,500. but I do not find any application for a loan of Rs. 6,25,000, or of an application on 16th January 1865 for Rupees 3,00,000, by Cursetjee Furdoonjee. I do not recollect the making of the loans. I do not remember any investigation even after Cursetjee had failed. I do not think Mr. Blair was ever called to account for making such large loans on personal security. I do not think his conduct was approved of by the Directors. The Board, who manifested their dissent to his proceedings, asked Mr. Blair to resign. I think it was in 1866. The question of dismissing him twice came before the Board, not on the ground of his granting those loans, but on the ground of his not being equal to the situation. The loans were considered good at the time. He was at liberty to return. He was on leave in England, and the Directors thought that it would not be for the good of the Bank that he should do so. A letter of dismissal was written, but he resigned. It was a general disapproval of his conduct that the Board entertained.

As to an item of 27th December 1864, a cash credit of one lakh to Messrs. Macculloch, John, and Company, I should say it was without security, from my inquiries. In April 1865 there was an advance of one lakh to Mr. Macculloch, and Mr. W. H. Crawford, Solicitor. Mr. Macculloch was formerly manager of the Agra Bank here. He opened a mercantile firm with Mr. John. He is gone to England. I believe he had large transactions with Premchund Roychund. Mr. W. H. Crawford was a Solicitor. He is dead. His circumstances were greatly involved. I do not know that any inquiry was made about Mr. Macculloch or Mr. John. A prudent banker would have inquired whether the money was wanted for speculation.

As to the loans to Mr. G. Taylor and Dr. Diver, 10th January 1865. Bill discounted 2 lakhs. Mr. G. Taylor 2 lakhs on 28th December 1864, fixed loan, security taken. Mr. G. Taylor, Dr. Diver, and Atmaram Madhowjee 5½ lakhs, 11th October 1864.

Another bill, Taylor, Brice, and Company, on 21st April 1865, one lakh. Altogether Mr. Taylor 10½ lakhs, and Dr. Diver 7½ lakhs. Mr. Taylor is a barrister. He was Master in Equity for some years. He was known to be a wealthy man when the loan was made, in October 1864. He held shares in many Banks.

I look at an entry in the "Opinion Book" which is shown to me. This does not alter my opinion that Mr. Taylor's position in October 1864 warranted a larger advance than is indicated in the Opinion Book in June 1864. I can find no trace of the advance of 5,50,000 Rupees to him in the Application Book. Nor of the loan of 2 lakhs on Bank of Bengal shares.

Atmaram Madhowjee was a broker to the firm of Brice and Company. I am again referred to the Opinion Book. It appears extraordinary that in the face of that opinion Atmaram Madhowjee should have been allowed to have twelve lakhs. I cannot say how there could be any justification of such a loan, not being able to find any traces of it. The advance to Mr. Taylor, Dr. Diver, and Mr. Atmaram were, I should suppose, made under the influence of Premchund. The loans were very improper ones.

I am referred to the accounts of Shapoorjee Dhunjeebhoy and Byramjee Manockjee. There appears to have been a debt to the Bank of Bombay contracted by them on the 14th December 1865, of 3 lakhs, and a separate debt by Shapoorjee Dhunjeebhoy alone of one lakh. I cannot find any information whatever about these loans. Shapoorjee Dhunjeebhoy was a man of respectable family, brother-in-law of the present Sir Jamsetjee Jejeebhoy, and in a respectable position. The Bank could not know that he was plunging into speculation. I am again referred to the Opinion Book. The loans appear to me surprising after that entry. There was a co-obligor as to the first loan. I wish here prominently to bring forward that there were Minutes and Discount Circulars sent round to the Directors, and unless these are forthcoming, I cannot say whether I knew of particular loans. The business of the Bank had become so enormously large that the Directors must have attended all day if the business had not been sent round in circulars. I am referred to a Minute of 31st July 1866 recording a letter from Mr. King, Under-Secretary to Government, addressed to the Bank Secretary, calling for particulars of the advances made by the Bank to Atmaram Madhowjee and Shapoorjee Dhunjeebhoy, and of the securities taken, together with a statement of the authority on which the loans were made, Atmaram Madhowjee and Shapoorjee Dhunjeebhoy, having then been reported in the newspapers as insolvents. I remember the answer to the letter was deferred to enable the Directors to confer with Mr. F. S. Chapman as to the object of asking for the information called for. I went home sick immediately afterwards. I do not know whether an answer was sent.

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Examination continued.—I am referred to the account of loans to Rustomjee Jamsetjee Jejeebhoy and Sorabjee Jamsetjee Jejeebhoy:—

14th July 1864, a Cash Credit of	-	Rs. 5,00,000
17th January 1865, a Bill Discounted		„ 2,21,000
17th July 1865, Cash Credit	- -	„ 1,75,000
22nd July 1865, Bill Discounted	-	„ 1,00,000
11th April 1866, Cash Credit	- -	„ 2,12,375
15th December 1865, Cash Credit	-	„ 2,10,000
Total	-	Rs. 14,18,357

Rustomjee Jamsetjee Jejeebhoy was the managing man in his father's lifetime in the firm of Sir Jamsetjee Jejeebhoy, Sons, and Company, and afterwards kept up the concern. Sorabjee Jamsetjee Jejeebhoy was, I think, brought up as a merchant, but had not followed mercantile pursuits. I believe in 1864 he was shipping cotton. I cannot say whether the two loans of 5 lakhs and 2,21,000 were taken with security. I do not know when they first gave security to the Bank. I do not know the circumstances under which the loan of 2,10,000 Rupees of December 1865 was granted. I have no recollection of any distinct promise having been given when that loan was granted. After reading the letters now shown to me (marked A 38 and A 39) I can say that no security seems to have been taken, but that there was a distinct promise to repay that money in 17 days. I am aware the loss has been large. I have no reason to doubt that it amounts to Rupees 5,86,833 on these loans to Rustomjee and Sorabjee. Rustomjee Jamsetjee Jejeebhoy was a Director of the Bank of Bombay during the whole of 1864. He sat till May 1865 when he became disqualified. He was consequently a Director when the first two loans were granted. He was re-elected, I believe, on 13th July 1865. There appear to have been two advances to him in July,—one on 17th July of 1,75,000 Rupees, and another of one lakh on the 22nd July 1865, on which days he was a Director. He was a Director in December 1865, when the loan of 2,10,000 Rupees appears to have been granted. I believe he attended the Board till the 16th January 1866, but irregularly. On the 8th May 1866 it was reported that he was disqualified. He was a Director when all those advances to him were made, except the one of the 11th April 1866. I cannot say whether the loan of April 1866 was a transfer of an overdrawn account commenced to be overdrawn in April 1865, without examination of the books. I can only speak with any certainty as to my knowledge of those debts, subsequent to June 1865. I was aware that Rustomjee Jamsetjee Jejeebhoy was indebted to the Bank, but did not know the amount. Had I known that the debt was seven lakhs I should not have been alarmed. He received money from his father, and had made a large amount in cotton to my knowledge. I cannot say whether Sorabjee Jamsetjee Jejeebhoy had made money by trading. I cannot say on whose recommendation these large advances were made. After reading this letter (marked A 40) I have no doubt who recommended the advance. The loans to Rustomjee Jamsetjee Jejeebhoy were not discussed at the Board that I remember. I think now that it would be only proper to have brought such large loans to a Director before a full Board. I do not know whether there is any evidence in the minutes of those loans having been brought before the Board. The application for the loan of December 1865 was not referred to any Director, so far as I know. Mr. Hannay was a Director at that time. I can say after looking at the letters A 38 and A 39 that Mr. Hannay sanctioned the loan of December 1865, but on imperfect information as it appears. Looking back I consider the advances too large, but not much too large. I would myself have lent Rustomjee Jamsetjee Jejeebhoy five lakhs without security. I acknowledge that the loans were too large to be on two names without security. Speaking now, I do not think it prudent banking. I was not aware of the magnitude of his transactions till after June 1865. When I heard of their magnitude I insisted on security being given. I cannot say at what date. No securities had been taken before that to my knowledge. If securities were deposited on the 29th May 1865, I do not recollect them. Other security was given after my personally speaking to the Secretary about it. It is quite possible he may have given security in August 1866, but what I do know is that, immediately after my requiring security to be given, it was given, but I do not remember on what date. The Apollo Press Company's shares were valuable security. They are even now worth 10,500 Rupees a share. Rustomjee Jamsetjee Jejeebhoy was a man of known large wealth at the time, and any banker in Bombay would have advanced him money on his promissory note.

3 July 1868.

Mr. Lidderdale.

I am referred to Pestonjee Cursetjee Shroff's account:—

2nd July 1864, a cash credit for rupees		60,000
18th October 1864	„	„ 40,000
14th December 1864, a fixed loan	„	„ 97,000
21st April 1865	„	„ 5,00,000
Total	„	6,97,000

Pestonjee Cursetjee Shroff was undoubtedly connected with the Companies springing up in 1864. He was connected with the Eastern Financial Association. I think he was a Director of that association. He was not connected with the Alliance Financial Corporation, or the Bombay Reclamation Company, as far as I know. I know as a general fact that he speculated largely, although I cannot speak to the concerns with which he was connected. I believe I did ascertain in the course of business who recommended him to the Bank of Bombay for the loan of 5 lakhs. I believe security was taken for the loans of Rupees 60,000 and Rupees 40,000. 1,348 Commercial Bank shares were given by him as security for the loan of 5 lakhs. I turn to the Application Book. It appears that the first entry in it of an application for a loan on shares, the interest on which was not guaranteed by Government, is dated on the 21st April 1865. I notice that it is subsequent to the resolution of 12th April 1865. Looking at this Application Book I see that several applications for loans on such shares were subsequently entered. They seem to be regularly entered. Commercial Bank shares were well thought of in 1865. I am referred to the Private Opinion Book kept in the Bank. The passage shown to me which has reference to Pestonjee is in Mr. Blair's handwriting. It shows that at the end of 1864 he was estimated to be good for a lakh. Shortly after the loan in June 1865, Pestonjee Cursetjee submitted a statement of his affairs to his creditors. He subsequently filed a petition in the Insolvent Court. His petition was dismissed; I do not know on what grounds. It may have been for gross overtrading. I am aware that he was a great speculator at the time. The means of the Commercial Directors for ascertaining whether a man was speculating were rather meagre. It has always been very difficult to ascertain the position of natives in Bombay. The Directors could have ascertained that he was speculating, but not the extent of what he was doing.

I am referred to Byramjee Hormusjee Cama's account with the Bank. He obtained on the 30th June 1864 a cash credit of Rs. 51,000, and obtained other large advances in 1864 and 1865, and there was an ultimate debit owing by him to the Bank of Rs. 17,71,682. I cannot say what the Bank has received on account by way of dividend from his estate. It may be Rs. 3,33,849. I do not know whether the total sum received is Rs. 4,88,000. I cannot explain how Byramjee Hormusjee Cama was allowed to run up such a debt. Part of the advance was made in my absence, one lakh. He traded extensively, and was in good credit, trading largely in Cotton and with China. I am not aware whether he did a speculative business. He failed in May 1865. He was the first to fail. I do not know on whose recommendation the loan to him of 7 lakhs on 14th October 1864 was made. I believe an inquiry was made in the Bank afterwards. I cannot speak with certainty as to who appeared to be responsible for these large losses. I believe the result of the inquiry was not recorded in writing. I do not know to whom it was referred to investigate the matter. In February 1866 the Directors made up their minds as to a portion of the loan being bad. I do not remember how much was written off as bad. It is impossible to recollect the transactions of the Bank at that time, they were so numerous. My attention was called to his account after his failure was reported, on my return from China. I do not think that the state of Byramjee Hormusjee Cama's account was known to any Director but Mr. Hannay. It might have been known to him. He succeeded Mr. Birch as President. Mr. Blair and Mr. Birch the President should be able to give most information about the advances to Byramjee Hormusjee. I find no trace in the minutes about it till his insolvency.

The President.—We will now turn to the advances of 1865.

Witness resumes.—I am referred to the Account of Ameerchund Bechurdass. On the 22nd April 1865, he had a bill discounted for Rupees 2 lacs. The loss may be Rupees 1,97,831 on that transaction. I was absent from Bombay when that advance was made. I find 537 Commercial Bank shares were deposited by Ameerchund two days after the discount was made. The Commercial Bank failed in May 1866. I have no doubt that the Directors were afraid of the effect which would have been produced by selling the shares. I have no doubt the payment of the bill was pressed for. He was possibly out of Bombay. The Directors did not sell the shares, because, had the Bank pressed its securities on the market, it would have destroyed the value of all shares. I believe that opinion was coincided in by the whole Board. It was both in the interest of the Shareholders of the Bank and of the public that we refrained from selling shares. As things have turned out it would have been a more prudent measure to have sold some of the securities, and to have renewed the bill for a smaller amount. The failure of the Commercial Bank was a most unexpected event. I believe Ameerchund Bechurdass was the Shroff of a respectable firm of long standing.

As to the advances to the Bombay Joint Stock Corporation:—

1865, 29th May, a discount of Rs. 3,00,000
„ 24th June, ditto Rs. 1,00,000

I was not in Bombay when the advance of 3 lakhs was made to that Corporation. I am not aware whether any security was taken for the first advance. The Corporation was in good credit. Rustomjee Jamsetjee Jejeebhoy was a Director of the Corporation; Limjee Manockjee, a brother of Cowasjee Manockjee, was another. I think there was a European director; Mr. Coke, I believe. I am not aware whether any of the officials of the Bank of Bombay were connected with the Corporation. I believe shares were subsequently deposited with the Bank by the Corporation. I cannot say whether the loss on this debt has been Rupees 1,50,000 and upwards. It appears from the Minutes (marked A 41 and A 42) that the first loan to the Corporation was sanctioned by Messrs. Hannay, Tracey, and Lushington, and the loan for one lakh by Messrs. Hannay, Brown, Tracey, and myself. My recollection is that I inquired to what purpose the one lakh was to be put, and that the whole or the greater part of it was to return to the Bank's coffers. It was due by the Corporation to certain debtors to the bank, who were being pressed by us for payment. I personally took no steps to see that the money reached those debtors. I believe at the time it was a *bonâ fide* concern, but I have since to a certain extent been undeceived. The meaning of my minute is that I wanted the money to return to the Bank, and not to create a new debt. I do not know how much per share had been paid up in the Corporation. I was aware that it had enormous deposits. I cannot at this distance of time say what I meant by the words "though I fear it will do no good." I believe Mr. Gubbay was a Director, and is now in Bombay. I believe Mr. Coke was a Director as well as Manager. Mr. F. A. Spencer, one of the Liquidators of that Corporation, is also in Bombay.

President.—We now come to Mr. Bendir's loan.

Witness.—I remember a letter being sent to Government stating that in future advances would not be made by the Bank on shares. The loan to Mr. Bendir, of 11th December 1865, would be a violation of that letter, if made on shares. After the date of the letter to Government we used to take shares to secure ourselves, although we did not make advances on shares. Such shares were at first taken with a blank transfer and Power of Attorney, and a letter to

show the Bank's interest. A blank transfer was taken in order that the Bank should not become liable for calls. If a call was made whilst the Bank held shares, payment was made in the name of the registered shareholder. That course was changed in consequence of a decision in the High Court by Mr. Justice Anstey, which took from the Bank of Bombay shares held by them. The Board met and considered how they could prevent an attachment depriving them of shares in future, and they determined to have the best class of shares transferred into the names of officers of the Bank. We acted under legal advice in adopting that device. I cannot recollect whether, after the letter of 30th June 1865 to Government, shares were taken by the Bank, on which an unpaid liability existed. That decision of Mr. Anstey's was afterwards reversed, after it had caused great loss to the Bank and to others.

I am referred to the following particulars of the loans to Cowasjee Rustomjee Pochajee and Company, and Sorabjee and Nowrojee Nanabhoy.

On the 16th March 1865 a cash credit of Rs. 1,00,000 and in August 1865 a discount of Rs. 82,000. The loss on these transactions may have been, as I am informed, Rs. 1,37,673.

I do not know when the 36 United Victoria and Colaba Company's shares were deposited with the Bank. I do not know what inquiry was made as to their circumstances. The cash credit of one lakh was sanctioned by the Board on security. I cannot say of my own knowledge what loss there is on these loans. I have not seen any detailed list of the affairs of the Bank since August 1866. The securities were deposited in August 1865. That would appear to be a violation of the letter to Government of June 1865. The Victoria Land and Press Company was in liquidation, and about to make a distribution on its shares. The loan was well secured, because the value of the shares was far in excess of the discounts, and the deposit was believed to make the position of the Bank more secure. I see by these letters (marked A 43, A 44, and A 45) who recommended these borrowers. I was present at the Board when the discounts for Rs. 82,000 were granted on security of the shares.

I am referred to Dosabhoy Merwanjee and Company's Account:—

	Rupees.
24th February 1865 - -	1,00,000
23rd May 1865 - - -	2,00,000
17th March 1866 - -	1,00,000

I cannot find that any security was taken for the first loan. I was absent when the second loan was granted. I believe security was given for the third loan at the time, or subsequently to granting it. There was landed property given as security. I am referred to the Minute of 17th May 1865. I see that there was a proposal to lend three lakhs, which does not appear to have been carried out. The security for the third loan was, I believe, referred to the Bank Solicitor. I do not know what the Opinion Book says about that firm. I have said that I never saw that book until I became President of the Bank. I have a full recollection that the third loan was fully covered. It was the subject of particular discussion. No advances were made on Bombay Bank shares within my knowledge. Several apparent instances are pointed out to me, but I am satisfied that Bank of Bombay shares were only stopped, not taken as security.

As to the Imperial Banking and Trading Company's loans:—

	Rupees.
28th March 1865 - -	3,00,000
30th March 1865 - -	2,00,000

I was not in Bombay when those loans were granted. I believe no security was taken. I know very little about that Company. I cannot give any explanation about the dealings with it.

I know Jumnadass Doolubdass as a Broker. I know nothing about the transaction with him.

I am referred to Khuttow Khemjee's account. I know nothing of the advances to him. He was a Cotton Merchant, and a co-obligant with Premchund Roychund on a Bill. I am not aware what business connexion they had between them. I believe Premchund Roychund recommended Khuttow Khemjee to the Bank of Bombay. I recollect when the affairs of Khuttow Khemjee were under consideration that I had a letter from Premchund asking for a favourable consideration of Khuttow Khemjee. This minute (marked A 46) is in the handwriting of Mr. Tracey. It shows that the second loan to Khuttow Khemjee was sanctioned by him and Mr. Lushington. I can only recollect that Khuttow Khemjee was then in good credit.

I am referred to the Kattiawar Trading Company's account. I do not know anything about the Company or its shareholders:—

I am referred to Premabhoy Hemabhoy's account:—

	Rupees.
15th May 1865 - - -	3,00,000
24th June 1865 - - -	2,00,000
1st December 1865 - -	5,00,000

I was not in Bombay when the first loan was granted. He was of first-class standing both here and in Guzerat. He was a member of the Bombay Legislative Council, and the head of a firm of Shroffs who had been in business for many years. 20 Back Bay shares were deposited as security for the second loan. I have never heard that he disappeared from Bombay until very lately. I understand that the Bank had been forced to compromise with him. I cannot say whether that is owing to his keeping away. I do not know whether they have accepted a lakh. I should think that his name was so well known that he did not require any recommendation for the first loan. The last loan was a transfer from his son's account. I believe they were undivided, but possessed separate property. I believe that Premabhoy Hemabhoy was looked upon as better security than his son. I believe that the son's debt was at first unsecured, but secured subsequently. Probably the son's security had depreciated before the transfer was made. I believe the original debt was larger. In 1864 it would not have been considered folly to advance such large sums. It may now be considered an illustration of the folly of such a system of banking.

I am referred to Manockjee Limjee and Company's account. They obtained from the Bank in January 1865 a cash credit for five lakhs, and in June 1865 a further loan of four lakhs, and I believe that the loss to the Bank on those advances amounts to Rs. 4,76,421. Manockjee Limjee was a member of a most respectable family, and broker to my firm at one time. I know nothing of the second loan. The first loan was probably justified by the position of the parties. I am aware that Government securities had been deposited with the Bank by Manockjee Limjee and Company for some years. The securities were realized by my orders. Manockjee Limjee, and subsequently his two sons, were my firm's brokers. They were bankers also, and traded as well. I did not recommend them to the Bank. I turn to the Application Book. I observe on 2nd June 1865 an open credit of four lakhs was applied for by them. Cowasjee Manockjee was a brother and partner of Limjee Manockjee. They were my firm's brokers till the beginning of June 1865. I observe from the minute of 1st June 1865 that they obtained a loan to enable them to take up a bill of Leckie and Company's, endorsed by them. The loss has been so great because the assets of the firm have so depreciated in value since April 1866, when they presented their statement to their creditors. They then expected to pay 14 annas in the rupee. It transpired that they had been speculating largely in shares. 100 shares of the United Victoria Company were taken as security. The loss may be Rupees 2,94,000. I have no knowledge of it. There will be a dividend from their estate. I should like to correct a mistake in the Blue Book at page 97, debt No. 9, which refers to Manockjee Limjee and Company. The 248 shares of the Bank of Bombay were not taken as security, but were stopped by me. That

3 July 1868.

Mr. Lidderdale.

statement throughout is incorrect as regards the securities, and in many instances as regards the original loans.

I am referred to Kursondass Madhowdass' account; it is apparently an open loan for Rupees 11,00,000, on the 9th December 1865. I cannot get information from the books as to this loan. I believe it was a transfer from another account. The persons who can explain the original transaction are Mr. Birch and the Secretary. It was a transfer from the names of other debtors. I am not aware that I consulted the Opinion Book about Kursondass Madhowdass' credit. I turn to the Opinion Book. The entry referring to him is in Mr. Blair's handwriting. Premchund Roychund was a Director of the Bank of Bombay in August 1864. He appears to have been the channel through which the matter was transacted.

Navalchund Namchund was a broker, and is brother-*in-law of Premchund Roychund. I do not know* anything of the transaction with Navalchund.

I remember inquiring into Mr. Ryland's being allowed to overdraw his account. He was Deputy Secretary of the Bank of Bombay. I did not discover by whom the permission was given. His shares in the Bank were stopped, not taken by way of security. Mr. Ryland left the Bank for a better situation. I believe there has been a loss through him.

I was President when the loans were made to the Asiatic Bank. The Directors were in England. The Consulting Committee in Bombay were, I think, advertised as Mr. Scott and Mr. G. Steel. I believe Mr. Hannay was afterwards a member of that Committee during some part of 1865 and 1866. He was also a Director of the Bank of Bombay. I have not heard that Mr. Tracey was a member of the Committee. I believe Mr. Cowasjee Jehangeer was a large shareholder, and a member of that Committee. Mr. G. Steel was a Director of the Bank of Bombay. Mr. Blair was not a shareholder of the Asiatic Bank to my knowledge. I do not know whether he kept his private account there. I do not know whether Mr. Robertson was a shareholder of the Asiatic Bank. I was not a shareholder in that Bank. I refused to have anything to do with it. Mr. A. Brown was not a shareholder in it, or a member of the Consulting Committee. Nor was Mr. F. S. Chapman or Mr. Lushington, or Mr. Norman. I believe Mr. Tracey was a shareholder in it. The Asiatic Bank was established under the auspices of Mr. Michael Scott, Mr. Gavin Steel, and Cowasjee Jehangeer. It received from the Bombay Reclamation Company a deposit of nearly two millions sterling, I believe. I think it was established in 1864. Mr. Baker was the Deputy Manager of that Bank for the greater part of its existence. There was an original issue of shares, and a second issue before the first had been paid up. The Asiatic Bank first applied for assistance to the Bank of Bombay on the 14th May 1866. [Reads from Minute of that date showing fifteen lakhs granted on security.] The loan was afterwards increased to twenty lakhs.

The Weekly Committee telegraphed to the Bank of Bengal to give credit for three lakhs. [Reads from Minute of 13th July 1866 "an extension to 1st September of credit of 20 lakhs granted."] There are letters in the Bank of Bombay relating to these advances. The total due may have been 19,66,000 when the Asiatic Bank failed. The amount still due may be nine lakhs. I do not know how much the loss is likely to be. The Bank has not paid a dividend. I should say that the Asiatic Bank thought it preferable to apply to the Bank of Bombay rather than to make a call on their shareholders and alarm them. The manager of the Asiatic Bank was called before the full Board, and questioned as to whether the advance would clear him. We considered the securities sufficient. A security was promised, which was never given. It was a lien on the uncalled up capital of the Bank. The manager, Mr. Morison, undertook to obtain such a security from the Directors in England. The securities were Apollo Press Company's shares, Iron Ship Company's shares, a lien on funds telegraphed as coming from Calcutta, and funds lying there. I believe the Java guilders lying at Calcutta did not come into our hands. On 13th July 1866, Mr. A. Brown, Mr. Lushington, Messrs. C. E. Chapman, Norman, and Tracey were present.

[Reads Minute of 23rd August 1866.] Mr. Brown and Mr. C. E. Chapman can speak as to whether the substituted securities were handed to the Bank of Bombay. We granted the loan in the expectation that the Asiatic Bank would receive help from London, and it received a Credit for 100,000*l*. It did everything but make a call on its shareholders. [Reads Minute of 28th August 1866.] It appears from this Minute that the hypothecation of the securities was then completed. I left Bombay about the 9th August 1866, and cannot speak to the liquidation of the Asiatic Bank, or to any transactions since that date.

On 11th May 1866 we lent one lakh to Mr. W. H. Crawford, a solicitor, who deposited shares as a security. The shares taken fully covered the advance, and left a large margin. There was also a charge offered on the costs due to him from the Great Indian Peninsula Railway Company. It was a special transaction.

Question.—After all your experience at that time, how did you enter into such a transaction?

Answer.—We believed ourselves to be fully secured.

Question.—There was another lakh of Rupees due by Mr. Crawford jointly with Mr. Macculloch, on which a total loss is expected?

Answer.—I believe a dividend is expected from Mr. Crawford's estate. The second loan would not have been granted unless it was thought to make the first more secure. I am satisfied that it was done to improve the Bank's position. The securities deposited by Mr. Crawford were 92 shares of the Chartered Bank of India, 50 shares of the Chartered Mercantile, 6 of the Bombay United Spinning and Weaving Company's shares, 5 Landing and Shipping Company's shares, 6 Bombay Reclamation Company's shares, 10 Apollo Bonded Warehouse Company's shares. The securities were worth nearly a lakh.

6 July 1868.

6th July 1868.

On the sitting being resumed, the witness said:—

I wish to correct a statement which I made as to Mr. Gavin Steel. I am informed by his representative here that he was not a promoter of the Asiatic Bank, although he was a shareholder, and is also a creditor of the Bank.

Examination continued.—I am referred to a scroll minute as to the loan to Mr. Crawford (marked A 47). It contains a record of the discussion which took place. There was another meeting at which the loan was agreed to. I am referred to a paper as to the Scotch system of advances (marked A 48). The alteration which appears in it is in Mr. Blair's handwriting.

As to Premchund Roychund's loans.

On 1st December 1865 a fixed loan of 9 lakhs was outstanding. On 19th December 1865 he was jointly liable on a discount with Mayabhoy Premabhoy for Rs. 4,50,000. On the 22nd April 1866 he may have overdrawn his account to the amount of Rs. 5,13,000. The accounts are so complicated that I find it impossible to trace them. The fixed loan of 9 lakhs was the renewal of a loan or draft (which I do not know,) dating as far back as December 1864. It is very difficult to trace any of these accounts to their source, there have been so many transfers. As far as I can find, the debt originated in an adjustment of a debt of 25 lakhs, due by Mayabhoy Premabhoy, Muggun Huttising, and Kursondass Madhowdass, of which Premchund Roychund took 9 lakhs upon himself. I believe the bill for Rupees 4,50,000 was a portion of the same debt of 25 lakhs. It was a joint bill with Mayabhoy Premabhoy. I do not know how the over-

drawn account arose. Premchund Roychund was well known to all the Directors as a late Director of the Bank of Bombay, and as a very great speculator. I opposed his re-election as a Director of the Bank on the last occasion on this account. We did not allow him to have these large loans without security. 34 shares of the Bombay Reclamation Company were deposited as security for the 9 lakhs loan. I believe 23 Bombay Reclamation Company's shares were deposited in respect of the discount of Rupees 4,50,000. Although it was a transfer, security would be taken if there was doubt about the security of Premchund Roychund. I do not know when those shares were lodged; at the time the security was considered sufficient. Additional security was taken for the 9 lakhs loan, but I cannot say on what date. The Bank has a claim on his estate for 25 lakhs. I know nothing about the overdraft. I look at a letter from Premchund Roychund to Mr. Robertson of 12th June 1865 (marked A 49) which contains the following postscript:—

"P.S. I told Mr. Blair about 5 lakhs of my overdraft, and he told me to keep as long as I like.

P. R."

I was not aware of any such understanding as that mentioned in the postscript. Previous to April 1866 I am not aware of there being any discussion at the Board as to his account.

On the 26th April 1866 Premchund Roychund made an application to the Bank for 25 lakhs. Mr. Robertson came to me about it. I suggested a meeting of the Directors, and that an account of his liabilities to the Bank of Bombay should be shown; not an account of his general liabilities. In the afternoon of 26th April a meeting of the Board was held. There were present myself, President; Messrs. C. E. Chapman, G. Norman, A. Brown, A. Stewart, and R. L. Tracey. Mr. Macculloch was not present on behalf of Premchund Roychund. Premchund Roychund was not there. Mr. Kelly, our solicitor, I think, was not there. The managers of the following Banks also attended—Mr. Moir, Oriental Bank; Mr. Campbell, Mercantile Bank; Mr. Morison, Asiatic Bank; and Mr. Thomson, Hindostan Bank. We asked them to come, as their Banks were so greatly interested in maintaining Premchund's credit, that we considered they ought to share in making any large loan to him. It was the general impression that he was directly or indirectly indebted to all the Banks. No statement of Premchund's affairs was produced at that Meeting. The Directors had obtained information from their Secretary as to Premchund's account with the Bank of Bombay, but I believe it was insufficient. There was no statement of his affairs produced. Mr. Robertson did not state before those Managers the particulars of his account with us. The Managers of the four Banks represented agreed in the necessity for a loan to Premchund Roychund, and they wished as many as possible of their brother Bankers to attend. I cannot charge my memory with any particular discussion, but it seemed for the advantage of the public and of the Bank that the loan should be made. There would have been a general depreciation of shares and of all mercantile securities if he failed. It was important certainly to make the assistance effectual. The Secretary was instructed to obtain full particulars as to his position, and whether the loan would be sufficient to enable him to maintain his position. We had only a part of this information before us at the meeting. Another meeting was called to meet at my house next morning, at which Premchund Roychund was to attend. No memorandum of any consequence was made as to what took place at the meeting of the afternoon of 26th April. It only came to one definite conclusion, which was to assist him, and the Directors were agreed as to the policy of assisting him. All appear from the minute to have been present except the native Director, Rustomjee Jamsetjee Jejeebhoy. At 7 o'clock on the following morning another meeting was held at my house. The same Directors of the Bank of Bombay, and the same Bank managers were present, and in addition Mr. Beattie, for the Commercial Bank, and Mr. Müller of the Comptoir d'Escompte. Premchund Roychund was present, in the verandah, not in the room, during the discussion. He was frequently communicated with during the discussion by the Secretary, Mr. Robertson, and on one or two occasions, I think, by Mr. Tracey. I sent for Mr. Kelly, the solicitor to the Bank, and he was present. A rough statement of Premchund's affairs was produced. I have not seen it since, and do not know where it is. It was a very rough statement, and was examined. It was not verified in any way, I think. It was taken as true without inquiry, but with some reservation; we had no means of checking it. It was not verified, but I do not think we can be said exactly to have accepted it as true. I should say we put the statement entirely out of question, as we could not act upon it. We acted on the assertion of Premchund Roychund that this advance would be sufficient to carry him through all his difficulties. I do not think we ascertained his position with respect to the other Banks, although the remarks made at the time that they were all interested in keeping him up, was not contradicted, with one exception. They kept their own council as to what was due to them. The single exception was Mr. Müller, who said that he did it from motives of public policy, and not in the interest of his Bank. Securities were offered by Premchund Roychund. A statement, in pencil, I believe, of the value of the securities was produced. The jewels were said to be worth from 15 to 20 lakhs.

The lands were enumerated, and their supposed value, and I think their cost. I put a direct question to Mr. Kelly as to the legal bearings of the loan. The legality of an advance upon land was discussed, I have no doubt. I cannot say whether the clause in the charter prohibiting advances on land was referred to. Means were taken to verify the statement as to the value of lands. The title deeds of nearly all the property enumerated were produced. It appeared that some portion of the property, I think, had been recently purchased. The calculation of the value of the land did not proceed upon the cost of the property mentioned in the title deeds, but on the figures stated in the list. Some of the lands were known to the Directors of the Bank, and to the managers of the other Banks. We reduced the values of the lands in some instances. We did not accept the statement as to the value in two or three cases. We had to adopt the statement as to the value of the jewels. They were not produced. I am not aware that any of the Directors of the Bank of Bombay had seen them. There was a reason for completing the matter at that time; we could not have taken further time to investigate his affairs. We took additional precaution in the interests of the shareholders; viz. a joint promissory note signed by Premchund Roychund, Roychund Deepchund, Candass Narondass, and Cursondass Madhowdass. It was not an afterthought. It was arranged at the meeting. The names of these parties were given by Premchund Roychund at the meeting, and their standing as commercial men was considered at the meeting. A discussion took place as to the proportions in which the other Banks should contribute. They eventually all agreed to contribute. The arrangement ultimately arrived at was that the Bank of Bombay should have these securities vested in it for the benefit of all, and advance the money by open credit. No agreement was entered into as to when the other Banks should advance their respective shares. No minute was made by any Director. The Secretary was present, and should have drawn up the necessary minute.

Question.—Do you consider the interests of the shareholders sufficiently protected by your acting on a statement of Premchund Roychund's affairs which was not verified; by your acting on a statement of the value of his landed property which you only discussed and reduced; by your accepting a statement as

6 July 1868.

Mr. Liddersdale.

to his jewels which you had never seen; by accepting a promissory note which was not then given; and by omitting to take any memorandum of the agreements entered into?

Answer.—I think so. Although no agreement or minute was drawn up, the Solicitor and Secretary were both present there. It was our intention to open credits for him up-country on that day. The Solicitor was instructed to prepare an agreement for immediate signature, and the Secretary was to receive the title deeds and jewels. I cannot say that any paper had been signed when the advance was made. I have no doubt I consulted Mr. Kelly as to the preparation of the agreement. It did occur to me that it ought to be reduced into writing, and I should say it occurred to all the Directors and to the Secretary. I said both to the Secretary and to Mr. Kelly that the agreement must be reduced into writing. I have no doubt my brother directors heard that remark. I have no recollection of what they said. I do not say that they did not respond. They heard the instruction given to reduce the agreement into writing. I supposed Mr. Kelly was taking notes for the agreement, which I found out afterwards was not the case. I believed that the agreement would be reduced into writing in the course of the morning, before any advance was made. I gave instructions to the Secretary to see that it was carried out. I cannot say that I instructed him to see the agreement carried out before the money was parted with. I believed when I left the room that an agreement would be signed in the morning, before the money was parted with. I did not give positive instructions that the money was not to be parted with before the agreement was signed. I inferred that this would be done. I took no steps to see whether it was done until the afternoon of that day or the next morning. I was constantly in and out of the Bank during the day. I urged that the agreement should be at once completed and signed. A great deal of the money had not, I think, been paid by the next morning. Some of it had, I did not know how much. I am not aware that there is anything of this on the minutes, unless it may be on the minutes of the Daily Committee. I do not mean to say that we might not have done better. Our neglect would be in not seeing that the money was retained until the agreement was executed, but we had a confidential Secretary, and a Solicitor of many years connexion with the Bank, and we thought that they might be trusted. I am not aware why the signatures of the Bank managers were not taken afterwards. Many of them have since repudiated the transaction. We had no agreement in writing when we consented to advance the money. I cannot now say that we sufficiently protected the shareholders, although I thought so then. Mr. Tracey was a partner in the firm of Ritchie, Steuart, and Company. Premchund Roychund was their broker. When he failed he did not pull down that firm. It is still standing. Its corresponding firm in England, I believe, compromised with its creditors. Mr. Tracey was not a more influential Director than others. I am not aware of any particular anxiety displayed by him at the time for the loan to be made to Premchund. I do not know when Premchund failed. It might have been in August 1866. I was in England at that date. Part of our object in making this loan was to improve the Bank's position as to previous loans. Another reason was that his failure would have depreciated all property in Bombay, and caused great ruin. I did consider the interests of the shareholders, and was a large shareholder myself. I believe the Bombay Government was communicated with on the afternoon of the same day, before the money had passed out of the Bank's hands. I think Mr. C. E. Chapman and I first waited on the Governor the same afternoon. We did not find him. I believe Mr. Chapman communicated with him otherwise, and so did I, before the whole of the money had been parted with. As far as I know Government was not communicated with before the meeting. I do not know when the advances were made. I believe some advances had been made before Government was communicated with. I communicated with the Governor by letter. I cannot say on what date. No other Government Director but Mr. C. E. Chapman communicated with the Governor to my knowledge. I cannot recollect whether I received an answer from the Governor. I had conversations with him. I cannot say when I first spoke to him about it. I think I saw him the next day. A portion of the money had then been paid. Mr. Chapman may have seen the Governor on the previous afternoon. I think the title deeds of all but one property were deposited on the 27th April, and the rest afterwards. A portion of the jewels was, I think, deposited on the 28th April, the remainder in about a week. I believe that the lands depreciated largely in value afterwards, and did not realise the amount expected. Lands, I think, depreciated 50 per cent. after April 1866. There was a crisis in 1865, and another about a month after this advance. I regret that the advance to Premchund had not a very beneficial effect, because many failures took place at that time for large amounts, and went on increasing with great rapidity. Property had depreciated in value before the loan was made. There was an immense number of insolvents, but their property however had not been forced to a sale. The Collector of Bombay could speak to the depreciation in value of land. I keep a private register of the price of shares, and so do all merchants, I believe. I am not aware that Mr. Tracey had become a guarantee for Premchund, but he had, I believe, pledged the name of his firm for a loan of Premchund's from the Bank of Bombay. I believe the guarantee was then in existence. I am still a considerable shareholder in the Bank of Bombay. I hold some shares for others. The only share which I held at any time in any other company was one share in the Port Canning Company.

I should like to explain that the evidence given by me at this date, 1868, has a very different aspect to what it would have had in 1865 and 1866, when the circumstances of the events now detailed were much fresher in my mind, and a better estimate could have been made of the true value of land, and of shares, and of the position of the Bank's debtors. When I left the Bank in August 1866, the assets were valued very carefully, and the valuation came within 20 lakhs of the paid-up capital; and within two months afterwards an independent Committee of investigation (one of the members being appointed by the Government of India) verified that valuation, and expressed their opinion that it was correct at the time it was made. I think I saw the Governor on the 28th April. I spoke of the loan, and that it was not done on the judgment of the Directors alone, but also on that of the managers of other Banks, and he expressed his approbation of the policy of the Bank in supporting individuals but not as to this particular transaction, of which he could not have detailed knowledge.

To Mr. Melvill.—The control of the Branches was left to the Secretary and the Inspector of Branches. I have not seen any list of discounts furnished by the Agents of Branches. I think the Agent of the Branch at Kalbadevi was called before the Board about May 1866, and questioned; many objectionable loans having come to their knowledge. It had its Agent, but it was directly under the Secretary. It was a distinct branch of the Bank. I observe that by Section 41 of the Act branches can only be established out of Bombay. The question of the establishment of the branch in Bombay was considered, and Mr. Kelly's opinion was taken. I discovered that in the case of Bháu Dáji a loan had been granted at the Branch after it had been refused at the Head Office.

16th July 1868.

16 July 1868.

Mr. Lidderdale

Witness recalled.—I remember handing to the Commissioners some correspondence previous to my examination; some copies of my letters to the Governor of Bombay, and three letters from him. I believe I stated in evidence that after failing to see the Governor on the 27th April 1866, I wrote to him and also saw him. I alluded to one of the letters in your possession. [Letters handed to him.] This letter of the 11th May 1866 (marked L 1) was the letter I referred to. From the Governor's reply of the 24th I apprehend that I had sent him another letter of which I have no copy. I cannot find any other letter or copy in my possession. This is his answer (marked L 2). I never communicated with Government or any member of it about any advance by the Bank except about the advances mentioned in the letters before you. I never told anyone that I remembered that I had done so. I do not remember that I ever told anyone that I had obtained the sanction of Government before the loan of 25 lakhs was advanced to Premchund, but if the Commissioners have been so informed I do not think it is inaccurate, because from inquiries which I have been making during the last few days, I believe the Governor was informed of the loan to Premchund before any money had been parted with. I believe I verbally communicated with the Governor at an interview which I now believe I had with him on the day on which the loan was sanctioned, to the best of my belief in the afternoon of that day. I cannot say when it took place. I cannot remember what took place at it. I have refreshed my memory by speaking to other persons. My personal recollection does not serve me. From conversations with others I believe that I left my office in the afternoon of the day of the meeting at which the loan was granted, in order to see the Governor. I was in bad health at the time, and I cannot recollect anything about it. I have inquired in my office whether I left it specially on that day, and one of my clerks says I left my office at 12 o'clock in my own carriage, and my idea is that I must have gone to see the Governor,—but I cannot remember. I did not then attach the importance to it which you do now. I should think no one else was present when I saw the Governor. I have no indication that I mentioned the interview afterwards to any of my co-Directors. Less importance was attached to it probably from the knowledge that he had been communicated with otherwise. I must have gone with the express object of seeing him. I do not think I told Mr. Chapman when I parted from him that I was going to Parell. All I can remember is that I believe myself to have made a special communication to the Governor immediately after the transaction took place, but my mind is a blank sheet regarding it. I did not keep a regular diary at that time. I have searched my papers for further letters without success.

I should like, in justice to Mr. Tracey, to remark that he knew that considerable security had been lodged for Premchund's overdraft.

A Hindoo Clerk, from the Office of Mr. J. S. Hurrell, Solicitor, produces the release to Mr. Brown by his creditors, dated the 15th July 1865 (marked M).

6th July 1868.

6 July 1868.

Mr. Ryan.

EDWARD GUNNING RYAN, sworn and examined at the European General Hospital.

I was manager of the Eastern Financial Association. I was appointed in August 1864. I ceased to act on the 25th December 1864. Mr. Watson succeeded me as manager. I remained in the office as Secretary and Accountant after December 1864, up to the closing of the Association. I was at the Dharwar Agency for some time.

I remember the loan for 10 lakhs being obtained from the Bank of Bombay. The negociations were carried on between Pestonjee Cursetjee Shroff and Mr. Blair; and Premchund Roychund acted as Broker. The Directors of the Association were:—Alladeen Hubibhoy, Cassum Dhurrumsey, and another Mahomedan, who was asked to resign. I forget his name. Pestonjee Cursetjee Shroff was not at first a Director; he claimed to be so. He was an original allottee for 1,000 shares. Premchund Roychund was an allottee for 1,000 shares also. I was not an allottee for 189 shares; they were put in my name. I had just joined the Association before the promissory note for ten lakhs was given. I was Deputy Accountant to the Agra Bank at the time. It was a loan taken from the Bank of Bombay to pay for shares bought from Premchund. He obtained the loan. He was the broker, and Pestonjee Cursetjee Shroff was the chief negociator as Director. I saw Mr. Blair, and he declined to grant an advance until a Power of Attorney was registered, enabling me to sign. On the second occasion, when I saw Mr. Blair, I signed the note. I was not asked by him for what the money was wanted, as far as I recollect. The whole matter must have been arranged before I went. I was told by Pestonjee Cursetjee Shroff and Premchund Roychund to go to Mr. Blair. They told me they had negociated the loan with the Bank of Bombay, and I was to go and get the amount credited in a current account. They stated it was required to pay for shares. I attended and signed the note, and credit was given in a current account. The sum of eight lakhs was paid to Pestonjee Cursetjee Shroff, and it was afterwards paid by him to Premchund Roychund. Pestonjee Cursetjee told me it was wanted for payment of 65 Bombay Reclamation Company's shares. I debited it to Suspense Account, not knowing the details of the shares, and not to Share Investment Account, as Pestonjee Cursetjee told me to do. I thought it was the right way of keeping the books until I could obtain particulars of the shares.

[Points out an entry in the Cash Book (E 3) of the Eastern Financial Association, Limited, "October 18th, 1864, by amount paid to Mr. Pestonjee for Reclamation Shares Rs. 8,00,000."] This entry is in my handwriting.

(Shows counterfoil of cheque for eight lakhs.) This is in my handwriting. On the 20th December the particulars of the purchase of the 65 Shares were entered in Suspense Account. (Points out the entries at page 122 of the Cash Book.) Pestonjee Cursetjee Shroff, I believe, handed over the cheque to Premchund. I did not see him do so, but Premchund was pressing for the money. The 65 Bombay Reclamation Company's Shares were resold by the Association for delivery to Premchund Roychund on the 1st July 1865, or some date about that time. The number of each share was entered in the agreement. These sales were entered in a register of shares of the Association. (Points out entry No. 1 in Share List Book of the Eastern Financial Association, Limited, marked E 2.) Pestonjee Cursetjee Shroff handed over the share certificates to me in the evening of the day on which he received the cheque, and I believe he obtained them from Premchund during the day. After the shares were purchased, I retained them, and they were resold to Premchund Roychund as a time-bargain for delivery at a certain date, about 1st July 1865. It was a time-bargain. The registry of these sales was made in a detailed account in a Register of Shares sold for time delivery. (Points out entries No. 1 and No. 2 in Share List Book, marked E 2).

How do you know that the cheque for 8 lakhs went into the hands of Premchund Roychund?

I did not see him receive the cheque from Pestonjee Cursetjee Shroff, but Pestonjee Cursetjee

6 July 1868.

Mr. Ryan.

Shroff asked me to draw the cheque in order to pay Premchund Roychund. I saw them both afterwards, but never asked them about it. I got the share certificates from Pestonjee Cursetjee Shroff. I know they came from Premchund Roychund, but I cannot prove it.

A few days after another cheque was paid to Premchund Roychund through Pestonjee Cursetjee Shroff. It was a cheque for 2 lakhs on the Asiatic Bank. There was also a cheque on the East India Bank, which went to pay Premchund Roychund for more shares. As regards the time-bargain transaction, it stood in the name of Premchund Roychund for some time. Afterwards Pestonjee Cursetjee Shroff said that another person was the purchaser, and not Premchund Roychund, that is, that the time-bargain as to the shares had been transferred to another person, Cursetjee Furdoonjee. He added that Premchund Roychund would be security for Cursetjee Furdoonjee in case the time-bargain was not taken up.

It was supposed that by a sale of a 2nd issue of shares, sufficient would be realized to repay the Bank of Bombay. I think Rupees 100 had been paid on each share of the original issue; at least that amount had been called up, but not all paid. Premchund Roychund's first call was paid by Pestonjee Cursetjee Shroff, and when the shares were at a high premium, Premchund Roychund sold them in the market, and paid Pestonjee Cursetjee Shroff.

The value of each share was Rupees 250, I think. The second issue was made when only Rupees 100 had been called up, and with the proceeds of the sale the Directors of the Association intended to pay the Bombay Bank. The sale took place in January 1865. Half the new issue went to old shareholders, and 12,500 shares were put up to auction. There were some *bonâ fide* purchasers, but they took a very small number. Pestonjee Cursetjee Shroff nominally bought several thousand shares at an average of 45 per cent. premium. He did not pay, but the call was debited to his account in the books of our Company. He did it to rig the market. The Eastern Financial Association sued Pestonjee Cursetjee Shroff, and their claim was thrown out, the Court holding that there was a corrupt agreement between Pestonjee Cursetjee Shroff and the other directors to rig the market. A very small amount was realized by the sale. The whole of the first and second calls in the original issue were paid, but not all the third. The loan of 10 lakhs was renewed. There was a delay of a day or two. Premchund Roychund effected the renewal. I am sure of it. Premchund Roychund was not often at our office, but all our transactions with him were effected at the office of Pestonjee Cursetjee Shroff. Eventually Cursetjee Furdoonjee was registered for the time-bargains. Premchund Roychund does not dispute the fact that he sold them to him.

A cash credit was opened with the Bank of Bombay for 2 lakhs on 27th January 1865. That was under Mr. Watson's management. The two lakhs were required for the purchase of shares. That was the principal business of the Eastern Financial. It was paid off by a loan from the Hindostan Bank. A new cash credit was opened on the 16th March 1865. I know nothing about this.

When Cursetjee Furdoonjee failed, the Eastern Financial Association, in order to enforce Premchund's guarantee, registered the sales in Premchund's name on the 3rd December 1864.

7 July 1868.

Mr. Hamilton.

7th July 1868.

ROWLAND HAMILTON, sworn.

I am one of the Liquidators of the Eastern Financial Association. There were three originally, and now only two; Nusserwanjee Ardaser Wadia is the other. I was appointed towards the end of 1865, and first acted 12th December 1865. The Association failed in July 1865. There was a great amount of action backwards and forwards. It was first put under the Court, and that was not acted on. There was great doubt as to the validity of the orders that were made. This accounts for my not acting till December 1865. From the failure till liquidation, Mr. Watson, the manager, had charge of the books, and Mr. Ryan was Secretary. The Company was registered about the 24th August 1864. Its chief employment of its capital was in buying and selling shares; and it borrowed money and received money on deposit, and entered into time-bargains to a large extent; that is, it sold for future delivery the shares it had purchased. The nominal capital was one million, divided into 25,000 shares of 400 Rupees each, 100 Rupees a share being paid up. The sum of 100 Rupees was paid up on very nearly all the shares. The total capital paid up on the first issue was 24,36,000 Rupees in two calls, the first of 50 Rupees a share, and the second of 50 Rupees a share, in November 1864. The second call was not paid on 1,280 shares. The shares of the first issue rose to a premium of 70 per cent. A second issue of shares was resolved on, of the same nominal amount of capital of one million; half the shares to be issued to shareholders, one new to two old, and half the shares to be sold by auction. 100 Rupees was to be paid up at once on each share. I cannot say whether it was usual in Bombay in those days to issue new shares before the original capital had been called up. There was no formal register kept of shares purchased; there was one being written up by Mr. Watson at the time of the failure. It was not so complete that we could act upon it, but it was stopped by seizure of the books under legal process. There is a register of the shares held in the Association by its shareholders. The names of the Directors appear in the Articles of Association. I do not know them.

I am referred to the name of Premchund Roychund in the Register. He held 1,000 shares in the first issue, and 500 in the new one, according to this ledger. Pestonjee Cursetjee Shroff had originally 1,000 shares of the original issue, and paid the calls on them. He had 7,205 of the second issue. He was a steady buyer of them from January to June 1865, and bought a great many in May. He paid the calls in account. He was debited with them. His account is an exceedingly complicated one. Alladeen Hubibhoy was one of the first Directors. He had 500 shares. Pestonjee Cursetjee Shroff was not at first a Director. I do not know when he was elected. Kessowjee Naik was also a Director. He had 500 shares originally. He purchased others subsequently. He paid up his calls. Cassum Dhurrumsey was also a Director; he had 550 shares paid up. I have found only a small number of European names amongst the shareholders. I find only Mr. Rodgie of the officers of the Bank of Bombay as a shareholder of the Association. He had seven shares. Mr. Blair and Mr. Robertson were not, I believe, shareholders of the Association. There is a list of time bargains. It is not a formally kept book [produces it]. The correspondence is very scanty; the books were only fairly commenced on the 1st January 1865. I do not know who were the promoters of the Association. Four annas and a half in the rupee have been paid as dividend. A compromise of six annas in the rupee has been agreed on for every one who will demand it. Four annas and a half have been paid or reserved to outside creditors. They will get the rest up to six annas in the rupee. I have sent in a claim against Premchund Roychund's estate. There were five lakhs taken by him, in two sums of four lakhs and one lakh. They appear in the cash book which I produce. [Reads]:—

"16th November 1864, earnest money paid Pestonjee Cursetjee Shroff for purchase of land Rupees 1,00,000.

"Ditto, ditto Premchund Roychund, ditto Rupees 4,00,000."

These entries relate to the Frere Land Reclamation Company. I am referred to my account against Premchund Roychund's Trustees. I debited him with those sums and interest in the claim. The whole claim against his estate was twenty-two lakhs and upwards. The entire paid-up capital of the Association was about Rupees 32,00,000. The first loan was for three lakhs, in respect of shares purchased for Premchund Roychund, and his one-fifth portion in a joint transaction in the United Victoria and Colaba shares. Those were the principal items; a little short of three lakhs. There was security, and we obtained the amount in full. The next matter was the five lakhs; it was very difficult to trace. The entries were made by Mr. Ryan and his subordinates, I believe, at the dictation of Pestonjee Cursetjee Shroff. I never took the books without corroboration. I believe the Cash Book, although very irregular, is honestly kept, and it has been gone through by an Accountant. We recovered the five lakhs. Premchund Roychund tried to avoid it, but he gave a promissory note in 1866, secured by shares. We took his note for six lakhs, and we got 600 Bank of Guzerat shares from him, and we set it off ultimately against a debt of six lakhs owing by the Association to the Bank of Guzerat. The third loan relates to 65 Bombay Reclamation Company's shares purchased. There was a dispute about it, and the Liquidators held that Premchund Roychund had guaranteed the transaction. We were prepared to commence proceedings against Premchund rather than against Cursetjee Furdoonjee, until Premchund failed, and it was understood that there was nothing for unsecured creditors. We therefore abandoned our suit against him, and sued Cursetjee Furdoonjee's estate, which yields a much better dividend than Premchund's estate. We did not substantiate our case, except as to ten shares out of the (65) sixty-five. The case was tried in the High Court before Sir Joseph Arnould. We gave notice of appeal, and it was finally compromised for a much larger sum than the amount of the verdict.

7 July 1868.

Mr. Hamilton.

Premchund's debt of twenty-two lakhs and upwards was made up by these debts which I have mentioned. Only five lakhs were paid to him out of the funds of the Association.

F. A. Spencer and Rughoonath Narayen are the Liquidators, and Mr. Shaw is manager, of the Bombay Joint Stock Corporation.

7th July 1868.

WILLIAM WATSON, sworn.

Mr. Watson.

I was manager of the Eastern Financial Association. I was appointed in October 1864, and entered upon my duties in January 1865. I came to Bombay in November 1864. I took no part in the management then; Mr. Ryan was then Acting Manager. Kessowjee Naik, Alladeen Hubibhoy, Pestonjee Cursetjee Shroff, Cassum Dhurrumsey, and Rahim Alladeen were the Directors. Pestonjee Cursetjee Shroff bought most of the shares for the Association after I became Manager. We bought from any broker; we had no special broker. Premchund Roychund was not directly employed. I cannot say whether he was employed indirectly. I heard Mr. Hamilton's evidence as to the second issue of shares, and the amount paid up on them. The second issue was made. The old shares were at about 80 premium. On the 22nd December 1864 a resolution was passed at a meeting of shareholders to issue new capital. It was resolved to give half the new shares to the shareholders, and to sell the other half by auction. The sale took place in January 1865. I cannot say Pestonjee Cursetjee Shroff was employed to rig the market. I have read Sir R. Couch's judgment in which that is stated. I believed that Pestonjee Cursetjee Shroff had bought the shares on his own account *bonâ fide*. I gave evidence to that effect, but Sir R. Couch did not hold that view. I attended the sale. I heard Pestonjee Cursetjee Shroff bid for, and buy the shares. He was a Director at that time. He did not pay the calls on those shares. He gave his promissory note. I still thought it a *bonâ fide* purchase by him.

[The President reads extracts from the judgment in the High Court Reports in the case of the Eastern Financial Association *versus* Pestonjee Cursetjee Shroff, page 9, volume 3, part 1.]

He did not pay the deposit according to the conditions of sale. He was in good credit, and I expected that he would gradually sell his shares, and pay. There were some *bonâ fide* buyers who paid the deposits. The shares of those who did not were not forfeited agreeably to the conditions of sale. The Association did not appeal from that judgment; notice of appeal was given, but afterwards withdrawn. On the second issue of shares a total sum of Rupees 12,47,250 was paid up. As the result of the sale Rupees 1,65,000 were received, and there was paid up by the shareholders on their allotments Rs. 10,82,000. The Directors paid their calls on that second allotment. I know nothing of the origin of the loan of ten lacs from the Bank of Bombay. I had to renew it in the course of my duty. I ascertained from the books how the money had gone. I did not ascertain how it was obtained. I believe it was given by the Bank of Bombay in the belief that the Association was good for that amount. According to the books the ten lacs were applied in the purchase of Bombay Reclamation Company's shares. I cannot say whether 65 shares, or what number.

I turn to the item of 8 lakhs in Cash Book (marked E 3). An interlineation appears as follows:—

"18th October 1864. Paid to Mr. Pestonjee for Reclamation shares Rs. 8,00,000."

It is in Mr. Ryan's handwriting. I think it must have been entered within the month, because the total is correct. Pestonjee must have bought from a broker. I believe the greater part of the Bombay Reclamation Company's shares purchased by the Association were bought from Premchund Roychund. The money was first carried to a Suspense Account. The money was given to Pestonjee Cursetjee Shroff to buy the shares with. The eight lakhs were carried to a Suspense Account, because the details of the shares bought were not known. (Points out entries at page 232, Book E 3, headed "Share Purchase B Account," and entries at page 172, Book E 3, headed "Premium on Stock Account B a c.") These entries show the total cost to the Association of the 65 Bombay Reclamation Company's shares, divided into the amount paid up on the shares for the first call, and the amount paid as premium.

I am referred to a list of the Bombay Reclamation Company's shares sold for future delivery by the Association, in the Share List Book of the Association for the years 1864, 1865 (entry No. 1 Book E 2), they having been bought of Premchund in November 1864; they were re-sold and entered here. They are entered in the name of Cursetjee Furdoonjee. The contract for the sale by the Association of these shares was originally in the name of Premchund Roychund, but he stated that he was not the real purchaser, and that the shares having gone up, the real purchasers, Cursetjee Furdoonjee and others, wished the contracts to be made in their own names. That was done, and the Directors held that Premchund Roychund guaranteed the transaction. They were first bought for cash by the Association, and then sold for future delivery to Premchund Roychund, as we

7 July 1868.

Mr. Watson.

thought, but really to Cursetjee Furdoonjee. I am telling what I found out. It was before I joined the Association.

I turn to the next page in the Share List Book (entry No. 2 Book E 2). We had the duplicate contracts, and we re-entered the shares in Premchund Roychund's name. It was done by the Directors' orders. There was no transfer from Cursetjee Furdoonjee to him, but we considered that Premchund guaranteed the sale, and we thought it safe to enter them in his name as well. The other two lakhs went in the same way as the eight lakhs. The Association borrowed five lakhs from the Asiatic Bank, five lakhs from the Central Bank, five lakhs from Hindostan Bank, and three lakhs from the East India Bank. I see entries of one lakh and four lakhs in this book on November 16th, 1864 (marked E 3). They relate to the same transaction as the entry of the loan of five lakhs on 14th November to Premchund Roychund in this other book (marked E 4). He admitted it and gave a bill for the amounts. It was at first paid for earnest money, I understand, on account of the Frere Land Company. I look upon it as a payment for which Premchund Roychund was responsible; the money had gone to him. I have heard that there was a receipt for the money, but I have never seen it. I have investigated the transaction as far as I can. The Association became entitled to a share of the purchase money for the lands; it must have gone through the hands of Premchund to purchase the lands. I do not know this of my own knowledge. I do not know the land. I do not know whether the transaction was ever completed or not. We have held it as due by Premchund Roychund, and that he was accountable for the money. I believe the payment secured to the Association a share in the profit of the purchase money of the land. There are no papers about it.

When the ten lakhs became due on 18th January 1865, I asked Mr. Robertson at the Bank of Bombay to renew the loan. I spoke about it first to Pestonjee Cursetjee Shroff. I do not know whether he had done anything about it. Mr. Blair was absent from Bombay, I believe. Mr. Robertson at once agreed to renew the bills; he made no difficulty. He asked for no security. I believe Premchund Roychund asked for the loan, and was thought to be connected with the Association, and that the Bank of Bombay therefore thought the Association was good for the amount. I think the bill was renewed on the 21st January at the end of the three days' grace. On the 27th January 1865 I negociated a loan for two lakhs with the Bank of Bombay at one month, at 13 per cent. I signed a promissory note for the Eastern Financial Association. Mr. Blair was still out of Bombay. I saw Mr. Robertson about it. It did not transpire that Mr. Blair had been spoken to about it by any one. There was no difficulty made about the advance. Mr. Robertson did not ask me what was to be done with the money. Mr. Robertson did not refer to any Director before renewing the loan. The ten lakhs loan was not referred to. The two lakhs went to Pestonjee Cursetjee Shroff, I believe. It went I believe to his own private account. He had an account with the Association. He drew on the Association, and we drew on the Bank of Bombay. The two lakhs were not applied to the purchase of shares for the Association. The amount was afterwards paid by the Bank of Hindostan. Mr. Ryland was then the Manager of the Bank of Hindostan. He had been speculating largely, I believe. The money was not borrowed from the Bank of Bombay for Mr. Ryland's use.

On the 16th March 1865 I negociated another advance with Mr. Robertson for two lakhs for fifteen days. I think Mr. Blair was absent. The Bank of Bombay called it a cash credit, but credited it to our Account Current. I may have given the assurance that the Association would repay it in fifteen days. Payment was not pressed for. I find on the 18th March 1865 there was a payment of two lakhs through the hands of Premchund Roychund to the Bank of Surat. Premchund Roychund was almost a Dictator in the Bank of Surat. On 16th March 1865 I did not tell Mr. Robertson that the Association intended to apply within a few days at the Kurrachee Branch for Rupees 2,20,000, and at the Surat Branch for 2 lakhs. The Association had branches at Kurrachee and Surat, and credit was pretty far gone in Bombay in March 1865. A great fall had taken place in shares. The Association had large advances, and we thought it would be impossible to renew them again in Bombay for the full amount. We thought if we could get funds from the Branches, and pay on account, our advances might be renewed to some extent. We asked our Agents whether they could sell their drafts on us at 2 or 3 months' sight, and send us funds. We did not ask them whether they could sell our bills to the Branches of the Bank of Bombay. We sent them instructions. We did not think we could get credit for Rupees 4,20,000. We therefore tried the Branches. It was to pay advances in Bombay. We did not pay anything to the Bank of Bombay. We were pressed by other banks.

Question.—Would it not have been a more legitimate transaction to go to the Head Office of the Bank of Bombay, and negociate the loan here?

Answer.—They would not have done it, and we did not know that they would do it at the Branches. Our Agents addressed themselves to the country Agents of the Bank of Bombay. The bill for ten lakhs became due on the 24th April 1865, and the Bank of Bombay refused to renew it for the full sum. They asked for payment of 2 lakhs. The Association could not pay it, and they received security from the Association; five Bombay Reclamation Company's shares, twenty Elphinstone Company's shares, and twenty new ditto, and other securities were deposited with the Bank of Bombay. The value of the securities was Rupees 2,49,500. I spoke to Pestonjee Cursetjee Shroff. He did not go himself. He said that Premchund Roychund would see and get it arranged. I said we expected to get some money in. I am quite sure I did not offer to pay any.

I look at this letter shown to me (marked E 5). I must have sent some money to the Bank of Bombay on the 24th April 1865.

Question.—How was it that Rupees 1,25,000 was refused by the Bank of Bombay?

Answer.—We paid 1,40,000 to the credit of our current account with the Bank of Bombay; not on account of the 10 lakhs bill as appears from our Pass Book. I did not remember the letter when I spoke. I cannot explain the matter. I think we hoped to reduce the bill also.

President.—You were in funds on the current deposit account. Why did the money go to the credit of that account instead of on account of the bill for 10 lakhs? You had three lakhs to the credit of the current deposit account when the Rupees 1,40,000 were paid in? By whose instrumentality was that arranged?

Answer.—I should like to look at the Pass Book. (After looking at it.) We were not in funds, if the past due cash credit is taken into consideration. I believe the Rs. 1,40,000 was paid to reduce the cash credit. The bill for 10 lakhs remained past due with these securities held for it. There were some letters about it.

To Mr. Melvill.—I overdrew my account with the Bank of Bombay to the amount of 20,000 Rupees. I paid 2,000 Rupees in cash, and handed over some shares, and they compromised the debt. In September 1864 I was a Manager of a Branch of the Bank of Bombay. Mr. Robertson allowed me to overdraw. Mr. Blair was absent up-country. I was not an officer of the Bank of Bombay when I was allowed to overdraw.

To the President.—There is no register showing from whom shares were bought. Pestonjee Cursetjee Shroff bought most of the shares, and acted as a broker. I do not know that there was any desire to keep back the names. I was preparing such a register before the failure of the Association. I believe it was being prepared in March, but we could not find the names of the sellers from the books, as to shares purchased through Pestonjee Cursetjee Shroff.

7 July 1868.

Mr. Watson.

After an adjournment for a short time, on the re-assembling of the Commissioners, the witness added—

I wish to state that the Liquidators were of opinion after they took charge that the creditors of the Association would be paid in full. I produce a bundle of letters and memoranda received by me (marked E 6). Some of them are private ones.

20th July 1868.

20 July 1868.

Mr. Watson.

William Watson, recalled.—I look at a letter from Mr. Maclean to me of the 9th January 1865, taken from the bundle of letters (marked E 6) which I handed in at my former examination. (After reading it.) He must have had a speculation in Eastern Financial shares, and imagined that I knew of it. It was not a speculation in which I was interested with him. It is true that the letter does not mention Eastern Financial shares. I was the manager of that Company, and suppose he referred to shares in the Company. It is only a surmise.

I look at another letter shown to me, of 3rd February 1865. I received that letter from Mr. Robertson. The word "Madras" is a mistake. It should be "Surat." Mr. Blair and Mr. Robertson both had allotments in the Bank of Surat, and the Eastern Financial Association received the calls on Bank of Surat shares.

I also received from Mr. Robertson these two letters of 31st January and February 1865, relating to those allotments.

7th July 1868.

7 July 1868.

Mr. Best.

WILLIAM JAMES BEST, sworn.

I am an Exchange Broker. Forrest Loudon Brown joined me in partnership in 1864. My partner Mr. Grant died, and Mr. Brown succeeded him; he was chosen by Mr. Grant's Executor in my absence to carry on my business, and I confirmed that arrangement. I think he was an Exchange Broker for six months before. He was an Assistant formerly in the establishment of Smith, Elder and Company, Booksellers. I do not know when.

This is our Ledger of share operations (marked F 1). We only keep a book of daily transactions. Share buying was not our business; our books would not show for whom we bought and sold shares. Mr. Brown is in Scotland. We address him 19, Cumberland Place, Glasgow. Both he and I bought and sold shares principally on our own account. We each worked privately and separately in shares, not as a firm.

I produce Mr. Brown's book of his transactions (marked F 2). My own is in England. There is little or no information in it. I know nothing of the bills for Rs. 60,000 or Rs. 30,000 given to the Bank of Bombay by Mr. Brown jointly with other parties. I have not come to know anything about them in the course of my business. When I obtained from the Bank of Bombay the large loan of Rs. 2,50,000 jointly with Mr. Brown on the 25th February 1865, I did not know of those other loans to him. I went to the Bank of Bombay and asked for the loan of Rs. 2,50,000, which I obtained. I have heard since that there was a recommendation. I first heard of that two days ago. I made the first application, not Mr. Brown. (Looks at letter of 24th February 1865 from Mr. Brown to Mr. Robertson.) I did not know before that Mr. Brown had previously written this letter. I applied to the Manager for the loan and my impression is that he said "certainly." I do not remember that any party told Mr. Robertson that he might apply to him. There was no security lodged with the Bank. I presume Mr. Robertson thought it a good operation lending on my simple request without security. He knew that I was buying or had bought fifty Port Canning shares on speculation. The shares cost nearly five lakhs of Rupees. I probably saw the Directors of the Bank of Bombay every day, but I do not know of any recommendation being given on my account. I do not remember ever doing any share business for either Mr. Blair or Mr. Robertson. We only did share business for our friends for large amounts. We used to do business for the Bank of Bombay every day. I do not remember doing any business for any officials of the Bank individually. The loan was for fourteen days. I do not remember what took place at the end of that time. It must have been held over or renewed.

I think the shares were deposited with the Bank when the loan was renewed, forty-six shares, then worth four lakhs. The present value is about Rs. 300 a share. I do not remember when the new Bond was taken from us, whether when the shares were lodged or later. Our firm never had liabilities. Both Mr. Brown and I made private arrangements with our creditors. Mr. Brown's liabilities were, I think, from 40 to 43 lakhs. He had been speculating largely on his own account. I do not know of an instance in which he concealed the name of any person for whom he acted with respect to any loan from any Bank. I do not know of my own knowledge of his taking any shares in his own name for any other person. He laid a statement before his creditors. I attended the meeting of his creditors. I produce the minute of that meeting (marked F 3). Many of the Banks were interested as creditors. Mr. Campbell, of the Mercantile Bank, moved a resolution. I believe it was seconded by Mr. Macculloch of the City Bank. I have no copy of Mr. Brown's statement. I do not know where the original is. I do not believe that there is a copy in Bombay. Mr. Robertson was the sole trustee of the estate. He handed over to me the book (marked F 2) and the minute (marked F 3) and he said he had handed over all the papers.

That must be the original minute which I have handed in. There were not two meetings of Mr. Brown's creditors so far as I know. I do not know of any second meeting, I have searched through Mr. Brown's papers. There appear to be scarcely any other creditors but Managers of Banks and Financial Associations.

I produce the daily register of our transactions from 1st August 1863 down to the year 1866 (marked F 4). The liabilities were for loans from the Banks. We obtained such loans for ourselves, both of us. I always gave security. The security was verbally given when the loan of Rs. 2,50,000 was obtained. The security was not lodged. There were other creditors not present at the meeting. All agreed to the resolution. I do not remember an adjournment being proposed. Shortly afterwards the release was given. Mr. Brown may have bought shares for Bank Managers in his own name in some instances, but

7 July 1868.

Mr. Best.

never for any official of the Bank of Bombay. I cannot tell you of my own knowledge that Brown did this for anybody. If you let me look at his book I will tell you. I see Mr. Davison's name in the book (marked F 2). He was a Bank Manager. Mr. Brown was not in the habit of buying for Bank Directors. It is very likely he did occasionally. I do not know of any purchase which would affect any Bank Managers so as to make them unwilling to have it exposed. I can account for Brown being released by there being a general impression that he ought not to be harassed any more.

Question.—How had he been harassed: he had called his creditors together but a fortnight before, had he not?

Answer.—Yes.

I have had joint operations with some Bank Managers, with Mr. Morrison of the Asiatic Bank. Never with Mr. Blair. Never to the best of my belief with Mr. Robertson. I was an intimate friend of theirs. I think I should have heard if Mr. Brown had had any transactions with them.

Question.—Were there any operations with any other Bank official that you know of?

Answer.—The transaction for which the Rs. 2,50,000 were obtained from the Bank of Bombay was a joint transaction in Port Canning Company's shares between Mr. Tracey, Mr. Brown, and myself. The transaction is entered in page 53 of this book (marked F 1). Mr. Tracey had no connexion with the loan. You will see that the sum of Rupees 1,50,000 was found by Mr. Tracey. I found the other Rs. one lakh, and the loan supplied the rest. Mr. Tracey knew that the loan had been obtained. The transaction was on the 25th February 1865. I do not know that Mr. Tracey was a Director of the Bank of Bombay at that time.

President.—He was elected on 26th January 1865.

Question.—To your knowledge did Mr. Tracey recommend you to the Bank of Bombay?

Answer.—Not to my certain knowledge. I think that it is very likely that he did. I have no doubt that he did.

I should like to state that the transaction with Mr. Morrison was a trifling one in Commercial Bank shares.

24th July 1868.

24 July 1868.

Mr. Best.

W. J. Best, recalled.—I look at page 55 of the book of my partnership transactions (F 1). I do not know to whom the initials here refer without examining the entries. (Looks at page 55 for some time.) I cannot say at present to whom they refer. I am referred to the Index. I see the same initials there. I do not remember the transaction, and I do not know for whom the initials stand. I do not think that "T" stands for "Tracey." The fact that Premchund Roychund paid Rs. 1,62,000 and took the shares does not recall it to my mind; the R is separate from the T. I do not know who P. C. M. stands for. I do not know anybody with those initials, the entries on both sides of page 55 are in Mr. F. L. Brown's handwriting. It is evident that the names are not shown. If we were acting as confidential Agents, I do not see any necessity for the names being shown. It is not my experience that where there is concealment there is generally something wrong. I conceal all I do as a Broker. The names might as well have been entered in our books; no one could have seen our books if this Commission had not been instituted.

I am referred to an entry in Book F 4 relating to Byramjee Hormusjee Cama on the 9th February 1865. This is incorrectly entered. Byramjee Hormusjee Cama was to pay the brokerage. One hundred and fifty Port Canning shares were sold to him, and he was to pay the brokerage. "From" means the brokerage was to come from him. I explain "J. G." to be the seller. I always understood Byramjee Hormusjee Cama to be the buyer. He is entered in the first column here, as he was to pay the brokerage. I had nothing to do with the transaction. This entry is not made by me. I was not accustomed to look at these books.

I signed the deed of release to my partner Brown, now produced. I cannot say that I read it all through.

[President reads recitals to the effect that Mr. Brown had become indebted in the course of his trade and business as a Broker to the several persons, Corporations, and Firms named in the Schedule annexed to the Deed, marked A, and was unable to pay in full the debts mentioned in the Schedule.]

Examination continued.—His debts were contracted whilst he was carrying on business as a Broker. Of course they were not debts on account of that business. I suppose the Schedule A is in Mr. Brown's possession. I have no doubt there is such a Schedule. I will not swear that there was any Schedule. The signatures show to whom he was indebted.

I have received a letter from Mr. Brown in which he says he did not receive any portion of the money advanced on the note signed by him, Mr. C. F. Heycock, and Venayek Pandoorung, and that he only gave his name to oblige them.

In my previous evidence I said that I was not aware of any joint transaction in which any Bank Manager was engaged with us. It is not a pleasant thing to have to say, but I find there was a loan for Rupees 10,000 or Rupees 11,000 to Mr. Macculloch of the City Bank, for which we signed; he was not an intimate friend of ours; we had no consideration for signing.

After a short adjournment, on the re-assembling of the Commissioners, witness added—

I wish to make a correction of my statement of this morning. Byramjee Hormusjee Cama was the seller of the one hundred and fifty Port Canning shares. I have only ascertained that by referring to Mr. John Gordon, who I supposed was the broker, but who appears to have been the buyer; the transaction however was disputed by him. I produce a letter from Mr. Gordon as to the entry in Book F 4. I have been making inquiries since I was examined this morning about the initials which appear in that entry, but I cannot explain them.

8th July 1868.

8 July 1868.

Mr. Clarke.

ROBERT CLARKE, sworn.

I came out to the Bank of Bombay as Senior Assistant in 1865. I am referred to the Statement at page 114 of the Blue Book. I remember seeing a form like this in writing in the Bank of Bombay. It was at the beginning of 1866. The form had been prepared for Mr. F. S. Chapman, not signed by him. The scroll of it was prepared by Mr. Robertson, the Officiating Secretary of the Bank. I received directions to make a fair copy of it. I made a fair copy, and handed both to Mr. Robertson.

Mr. Steel.

WILLIAM STEEL, sworn.

I am the Agent in Bombay of the Liquidator of the Asiatic Banking Corporation; it is in liquidation in the Court of Chancery in England. I was appointed Agent here last March. The Register of

Shareholders of the Company is in the Court in England. I have not a single paper relating to the shares. Mr. Michael Scott, a partner in the firm of Ritchie, Steuart, and Company, was a promoter of the Corporation. I have not any minutes of the Consulting Committee of the Corporation. I do not think any minutes were kept. I was at one or two of the first meetings myself; they were entirely oral. I do not know whether that is usual in Bombay. The nominal capital was one million with power to increase to two millions; there were two issues of shares, the first for 500,000*l.* fully paid up, the second issue for 500,000*l.* but only half paid up.

The Consulting Committee originally were Mr. Michael Scott, Mr. Robert Hannay, and Mr. Cowasjee Jehangeer. I do not know what subsequent changes took place in it. The newspapers of the day would show. Mr. Baker the Sub-agent, and Mr. Barker, a clerk in the Bank, will be able to give more information on the subject. Mr. Gavin Steel never was a member of it. Mr. Tracey may have been. I cannot say with certainty. Mr. Alexander Stewart was not.

I produce the printed list (marked G 1) of contributories of the Corporation. Mr. Blair is a contributory for one hundred and fifty old shares and one hundred and seventy-five of the second issue. Mr. Robertson is also a contributory for twenty old and forty new shares. Mr. Ryland and Mr. Rodgie are not contributories. Mr. Maclean is down as a contributory for three hundred and forty-five old shares. Mr. Birch is a contributory also for one hundred new shares. This list came to me from the Liquidator in the course of business. There is a regular official list in my custody. The shares deposited by the Asiatic Banking Corporation as security with the Bank of Bombay are not all realized. The balance of the debt now due is Rs. 9,50,000; the rest of the securities will, I think, realize from three to three and a half lakhs. Many of the Asiatic Bank shares have got into fictitious names, I believe. The Corporation went into liquidation in October 1866. It has not yet paid a dividend. The calls are responded to very badly. The liquidation is not a promising one. Mr. Blair and Mr. Robertson have private accounts with the Asiatic Banking Corporation.

8 July 1868.

Mr. Steel.

13th July 1868.

13 July 1868.

Mr. Steel.

William Steel comes forward and says—I was asked in my examination whether the Asiatic Bank had paid anything to its creditors. We have paid some compromises, one was with the Bombay Reclamation Company for a considerable amount, but we have not paid anything to the general creditors.

8th July 1868.

8 July 1868.

Mr. Baker.

ROBERT HOSIER BAKER, sworn.

I was Sub-Agent in Bombay of the Asiatic Banking Corporation. I was Accountant at first. I was made Sub-Agent at the end of 1864. Mr. Anthony Morrison was the Agent of the Corporation in Bombay. He is now in England. I was employed in the Corporation throughout its existence. The Directors in England were Mr. Boykett, Chairman, Mr. Russell, Mr. Fearon, Mr. Cardwell, and another. Afterwards Mr. Michael Scott and Mr. S. D. Birch joined the direction in England. Mr. M. Scott, Mr. R. Hannay, and Mr. Cowasjee Jehangeer were the promoters and first Consulting Committee in Bombay of the Corporation. Cowasjee Jehangeer resigned very soon after the Bank opened, and Mr. Scott went home at the end of 1864. Mr. Hannay was then left alone. No one else was appointed. Mr. Hannay went home, I think, in the spring of 1866, and Mr. Scott came out shortly afterwards, in June 1866, I believe. I think after his return he became a Director of the Bank of Bombay. After the Asiatic Bank opened, the Consulting Committee used to meet, but it soon discontinued that practice, and Mr. Morrison used to consult Mr. Scott or Mr. Hannay. Originally the Bank was started in Bombay as the Bombay Joint Stock Bank. I do not know who were the original shareholders. There was a new deed made for the Asiatic Bank. Mr. Blair and Mr. Robertson were original shareholders. Mr. Rodgie was not. Mr. Maclean was not a shareholder in his own right. The shares in his name are not his own property. He holds them for the Bank of Bombay. I believe they were placed in his name in consequence of Mr. Anstey's decision. Mr. Birch became a shareholder when the second issue was made in order to qualify himself to be a Director. The second issue was made, I think, in February 1865. The Corporation was promoted about fifteen months before the Bombay Reclamation Company's was created, but it became connected with that Company. The Asiatic Banking Corporation received from that Company one million, its subscribed capital, and one million from the sale by auction of some of its shares. Mr. Morrison negociated the overdrafts with the Directors of the Bank of Bombay. He attended some of their meetings.

8th July 1868.

8 July 1868.

Mr. Wilson.

GEORGE RAMSEY WILSON, sworn.

I am the Liquidator of the Alliance Financial Association, Limited, and produce its books. Its Capital was ten millions of Rupees, divided into shares of 400 Rupees each, with 100 Rupees per share paid up. There was only one issue of shares. The Company was registered at the end of 1864. Dr. Thomas Diver, Chairman, Atmaram Madhowjee, Hurbhum Nursey, Gellabhoy Puddumsey, Sewjee Welljee, and afterwards George Taylor, were its Directors. I know that a few of the officials of Bombay Banks were shareholders in the Association. I am not prepared to say that most of the Bombay Banks are represented in the share list. I turn to the Register of Shareholders. Mr. Robertson was an allottee of shares in the Association. Mr. Blair also had 30 shares allotted to him. Mr. Ryland was an allottee of 25 shares. Gopall Shaba Senoy of the Bank of Bombay had five shares. Balkisondass Vizbookundass, of the Kalbadevi Branch of the Bank of Bombay had five shares. Mr. Nicholson, of the Chartered Mercantile Bank, was an allottee in the Association. The following names also appear in the Register as allottees of shares in the Association:—Mr. D. A. Christie, of the Indian Peninsular Bank; Mr. Dickson, of the same Bank; Mr. McNeil, of the Oriental Bank; Mr. Macpherson, of the Bank of India; Mr. Flinders, of the Agra Bank; Mr. Sudanund Mooncoondjee, of the same Bank; Gunoo Babajee, of the same Bank; Mr. E. H. Wallace, of the East India Bank; Mr. Pringle of the Presidency Bank; Mr. G. H. Warren, of the Royal Bank; Pandoorung Antoba, of the Agra Bank; Mr. J. R. Davison, of the City Bank; Chabuldass Permanundass, of the Agra Bank; Anundrow Sudasheo, of the Royal Bank; Cursetjee Dhunjeebhoy, of the Central Bank; Mr. de Quadros, of the Commercial Bank;

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Mr. Wilson.

Mr. H. Wilson, of the Oriental Bank; Juggonath Pandoorung, of the Royal Bank; Bhasker Naronjee, of the same Bank; Mr. E. Heycock, of the Central Bank; Mr. W. C. Currie, of the East India Bank; Mr. W. F. Wiesche, of the Alliance Bank; Mr. J. Smith, of the Financial Association of India and China; Mr. A. Morrison, of the Asiatic Bank; Cursetjee Merwanjee, of the Alliance Bank. It does appear that allotments were given to nearly all the Bank Officers in Bombay.

Premchund Roychund had 1,000 shares in the Association. The Directors of the Deccan Cotton Cleaning Company were nearly the same as the Directors of this Company, but I am not aware of any connexion between them. Mr. Cooper was a shareholder of the Association. The Native Directors know most of the Association's affairs. Dr. Diver attended, I believe, regularly. I do not know that Mr. Taylor took an active interest in its affairs. I know nothing of the circumstances under which advances were made to the Association by the Bank of Bombay.

I am not aware of the offers made on the 3rd April and 19th June 1866 to the Bank of Bombay by the Association for a compromise. I took charge in August 1866. I am aware of a general compromise with all the creditors for six annas in the Rupee, including the Bank of Bombay. Four annas have been paid on account. I am referred to a minute of 14th December 1866 (marked A 49) circulated by Mr. Robertson amongst the Directors of the Bank of Bombay. The statement that many of the shareholders of the Association are clerks on small salaries, menial servants, and Police Sepoys, is perfectly true.

8th July 1868.

8 July 1868.

Mr. Venayek Pandoorung.

VENAYEK PANDOORUNG, affirmed.

I signed a bill with Mr. C. F. Heycock and Mr. Brown to the Bank of Bombay. There was no security given. Mr. Brown applied for the loan, and next morning Mr. Heycock said three names were necessary. I lent my name at Mr. Heycock's request. I know that Mr. Heycock said they wanted to pay for Bank of India shares. I do not know by whose recommendation the loan was made when the bill fell due. Mr. Brown said it would be renewed on payment of 5,000 Rupees. Mr. C. F. Heycock was a merchant, and the son of Mr. E. Heycock of the Central Bank. He has bolted, I believe.

I offered Mr. Robertson 8 annas in the Rupee—that was refused, and I took the benefit of Act XXVIII. of 1865.

To Mr. Melvill.—I used to do a large business in Cotton and other goods at the time of the loan.

I know Premchund Roychund, but I do not know that I was recommended by him to the Bank of Bombay for the loan.

13th July 1868.

13 July 1868.

Mr. Venayek Pandoorung.

Venayek Pandoorung comes forward and says.—Since I gave evidence I have referred to my books in the hands of my trustees. I find I was interested to the extent of one-third in the loan referred to in my evidence of 50,000 Rupees, in which the names of Mr. Brown, Mr. C. F. Heycock, and myself appear. I was not merely a surety in the transaction.

8th July 1868.

8 July 1868.

Mr. Spencer.

F. A. SPENCER, sworn.

I am one of the Official Liquidators of the Bombay Joint Stock Corporation. I was at first a liquidator appointed by the Shareholders, and was afterwards appointed officially by the Court. I produce the books of the Corporation.

Sorabjee Pestonjee Framjee, Aaron Moses Gubbay, Limjee Manockjee, Vurjeevundass Madhowdass, and Nasserwanjee Manockjee Petit were the Directors of the Corporation. Mr. Rustomjee Jamsetjee Jejeebhoy never was a Director. Limjee Manockjee is brother to Cowasjee Manockjee, the Director of the Bank of Bombay. Cowasjee Manockjee was a shareholder in the Corporation.

The list of allottees is imperfect; there was no stock ledger kept. There was no register of the original allottees kept in the office of the Corporation. The Capital of the Corporation was 20 lakhs, in shares of Rs. 300 each—200 Rupees per share were paid up on the first issue; there was a second issue of 10,000 shares, but only 3,232 shares were taken up.

I do not know why the second issue was made before the first issue was paid up. The shares of the first issue were at a premium, that may have been the reason for the second issue. Some of the Directors took some of the new issue. Mr. Gubbay took up 445 new shares. He had 890 old ones; Vurjeevundass Madhowdass took up 145 of the new shares.

They were debited with the call, and they were compromised with.

Mr. George Inverarity was a contributory for 75 shares.

Mr. Rodgie, of the Bank of Bombay, was not a contributory. I cannot say whether he was an allottee.

Limjee Manockjee was a partner in a transaction of about 4,379 shares. They were purchased on account of nine parties, the Corporation being interested in the purchase. The nine buyers were—A. M. Gubbay, Premchund Roychund, Sorabjee Pestonjee Framjee, Dhunjeebhoy Framjee, Limjee Manockjee, Cursetjee Nasserwanjee Cama, Vurjeevundass Madhowdass, Nusserwanjee Manockjee Petit, and the Corporation. The Corporation had power to buy and sell shares on commission, but I do not know whether it could legally buy and sell its own shares. The words of the Deed are very extensive. The shares were bought in the market on 20th December 1864. The transaction terminated in a loss.

As liquidator I have become acquainted with the particulars of the advances obtained by the Corporation from the Bank of Bombay—on 29th May 1865, Rs. 3,00,000; on 24th June 1865, Rs. 1,00,000. There is a loss of Rs. 1,50,000 on the loan of three lakhs; the one lakh was paid off. Security was given by a deposit of shares for the three lakhs loan. On the 4th October 1865 there was a loan of five lakhs obtained by the Corporation from the Bank of Bombay. There is a loss of Rs. 3,17,500 on that advance, which, added to Rs. 1,50,000 on the first loan, makes Rs. 4,67,500. The Corporation subsequently paid Rs. 17,500, leaving a balance against the Corporation of Rupees 4,50,000. The sum now due is Rs. 1,76,988-10-6. The liquidators appointed by the shareholders paid four annas in the rupee, and the official liquidators have paid six annas. There may be a further payment of $2\frac{1}{2}$ per cent.

8th July 1868.

8 July 1868.

Mr. Ranken.

JAMES RANKEN, sworn.

I am a Liquidator of the Bombay Reclamation Company. I was appointed at the meeting of November 1866. I produce the books of the Company. I produce a book containing a copy of the original allotment of shares from which the certificates were issued. The subsequent registers of shareholders are amongst the books. The Directors' Minute Book is here. On looking at it I see that Mr. M. Scott, Mr. W. R. Cassels, Mr. Gavin Steel, Cowasjee Jeehangeer, and Premchund Roychund were the first Directors of the Company. In August 1864 I find Mr. Tracey was added as a Director; he became the sixth Director. I find Mr. R. Hannay was acting afterwards, I believe, in the place of Mr. Steel, in January 1865. In July 1865 and in January 1866 Mr. Tracey, Mr. Hannay, Mr. Kelly, the Solicitor of the Bank of Bombay, Sir Jamsetjee Jejeebhoy, and Cowasjee Manockjee were the Directors. In June 1866 Mr. A. Morrison of the Asiatic Bank, Mr. M. H. Scott, and Mr. Manisty were acting as three of the Directors.

8th July 1868.

8 July 1868.

Mr. Shaw.

JOHN ALEXANDER JAMES SHAW, sworn.

I am Manager for the Liquidators of the Bombay Joint Stock Corporation. I heard the evidence given by Mr. A. F. Spencer. I concur in the evidence which he gave as to the Corporation's affairs. Mr. Teesdale was the Accountant of the Company. I do not know anything about the loans from the Bank of Bombay to the Corporation. Mr. Coke, the Manager of the Corporation, is in England. His address will be obtained from Messrs. Sassoon.

13th July 1868.

13 July 1868.

Mr. Diver.

THOMAS DIVER, sworn.

I and the other Directors of the Alliance Financial Corporation obtained advances from the Bank of Bombay. I believe we discounted our Bill with the Bank on the 21st October 1864 for Rs. 5,00,000, and obtained a cash credit in November 1864 for Rs. 5,00,000. I cannot speak to the particulars of the advances. I cannot recollect anything about a discount of the 7th July 1865 for Rs. 1,06,000. If it is in the books of the Bank of Bombay it is no doubt correct. I have no accounts of the Alliance Financial Association in my possession. The above-mentioned three advances were on account of the Alliance Financial Corporation.

I remember the advance in the names of Mr. Taylor, Atmaram Madhowjee, and myself for Rs. 5,50,000 on the 11th October 1864. I remember an advance to G. Taylor and myself for Rs. 2,00,000 on the 10th January 1865. I remember an advance to myself, Atmaram Madhowjee, and Treacher and Company of Rs. 60,000 on the 19th January 1865. Altogether the transactions in which my name appears amount to Rs. 19,00,000. The total loss may be Rs. 3,87,000 on the advances to the Alliance Financial Corporation. I do not know the amount. The loss on the private debts may be Rs. 7,58,317. I went to Mr. Robertson for the advance of five lakhs in October 1864. Mr. Blair was not present. It was late in the evening. I asked for ten lakhs for the Company. I received no answer then. I believe the application was referred to the Directors. Mr. Robertson said he would mention it to the Board. I was told that the rate of interest was likely to increase, and that it would benefit the Company to borrow and lend it out at a higher rate. The loan was granted for five lakhs. I cannot recall the circumstances of the granting of the cash credit for five lakhs in November. If it is in the books of the Bank of Bombay it is correct. Probably the Secretary of the Alliance Financial Corporation, Mr. Wilson, went to the Bank of Bombay about it. No security was asked for. I did not see Mr. Blair about that loan. Premchund Roychund recommended me to apply for the first loan in order to lend it out at a higher rate of interest, but I do not know whether any recommendation was given by him to the Bank. I did not ask him to use any influence with the Bank. I look at a letter from Premchund to Mr. Robertson now shown to me (marked A 50).

(After reading it.) I have an indistinct recollection that there was a second loan. I have no doubt of it after reading that letter. I do not doubt, after reading that letter, that it was by Premchund Roychund's influence that the cash credit was extended; not but what I think it might have been done without him. Premchund held 1,000 shares in the Corporation. I do not recollect the discount of 7th July 1865 for Rs. 1,06,000. I may have signed the note for that sum. Perhaps the signing by the Secretary was objected to. I recollect the advance on 11th October 1864 to G. Taylor, Atmaram Madhowjee, and myself for Rs. 5,50,000. I did not apply for it, not that I am aware of. Premchund called upon me (or I saw him at his house, I forget which,) and told me that Bombay Reclamation Company's shares were likely to become very valuable. He also told me that the Bank of Bombay would advance money upon them at the then market price until 1st July 1865 upon a bill or note falling due then or on the 30th June (I forget which) without any margin whatever. The joint promissory note of Mr. Taylor, Atmaram Madhowjee, and myself was to be given. Premchund told me that the Bank was prepared to do it, and he would arrange it. I conferred with Mr. Taylor and Atmaram Madhowjee on the matter, and the promissory note was sent to us for signature. I forget who sent it; I think Mr. Blair. I never saw Mr. Blair about making the advance. I believe Taylor and Atmaram Madhowjee did not see him either. It was all arranged by Premchund. I signed the promissory note. I was recommended by Premchund to do it, and I did it. I do not know what was done with the money. I did not see the share certificates. Twenty Bombay Reclamation Company's share certificates were to be deposited with the Bank of Bombay. It was represented to us that that security was to be deposited—the certificates of twenty Bombay Reclamation Company's shares. I did not arrange about lodging the security, but I understood that it was to be given. The Bank lent the full amount for the purpose of the twenty shares being bought. I understood Premchund to have bought the shares, to have lodged the certificates with the Bank, and to have received the money. If he delivered the share certificates I should expect to find that the sum of Rs. 5,50,000 was paid to him. If he did not deliver the share certificates the Bank should not have paid him the money, unless there was a new understanding between them. We expected to profit by the rise in the market. We intended to resell when the price rose. The shares reached a high price, nearly double the then value, and were sold for future delivery, but not then accepted by the purchasers.

Mr. Taylor, Atmaram Madhowjee, Treacher and

13 July 1868.
Mr. Diver.

Co., and I borrowed the Rs. 60,000. We bought a piece of land at Poona from Treacher and Co. The advance was made by the Bank on the title deeds. The price was very nearly one lakh, and Treacher and Co. wanted Rs. 60,000 paid down. They therefore joined in the loan as sureties.

I and Mr. Taylor borrowed Rs. 2,00,000 from the Bank in January 1865. The loan was negociated by Mr. Taylor or me with Mr. Blair, I believe; I forget which of us. He made no difficulty. I daresay fifteen lakhs were owing by us and the Corporation at that time, to the Bank. No security was asked for, and no difficulty was made. At the time we were thought to be wealthy. We were known to be speculating largely. I do not know by whom we were recommended. I did not apply to any Director, and did not use any influence with any Director. I am not aware that Premchund's influence was used. I did not speak to him about it. I have no doubt we obtained the loan for the purchase of shares. I do not know what shares we bought. I cannot trace it by reference to books. I am not aware that we had entered into any contract to buy shares.

I am acquainted with Jumnadass Doolubdass. He was a broker in partnership with Davidass Luckmeedass. I know him. They were, I believe, in some instances employed by the Alliance Corporation. I have no doubt they were employed largely. I employed them to obtain loans from the Banks for myself. They got loans for me, Mr. Taylor, and Atmaram Madhowjee in their own names. We ordered them to purchase certain shares. They obtained the money and bought the shares. They said they would supply the money by getting it from Banks and Shroffs. They may have obtained money from the Bank of Bombay for us three. I remember one instance in which they borrowed money on Mazagon shares for us. I do not remember the date of the transaction.

I do not know of an advance on the 2nd April 1865 of Rs. 1,50,000, and on the 22nd April 1865 of another loan of Rs. 22,000 by the Bank of Bombay to Jumnadass Doolubdass. I know nothing about those advances. We instructed Davidass and Jumnadass at various times to buy shares up to March 1865. I do not know at what time we commenced so instructing them. The orders were generally given through Atmaram Madhowjee. The money was sometimes brought from the bazaar. I do not remember having the curiosity to ascertain how much they borrowed from the Bank of Bombay. I never asked them what influence they brought to bear to obtain money. They were dealing for many other people besides us. I do not know of any advance being made by the Kalbadevi branch of the Bank of Bombay to them. I am referred to a loan obtained by them for us at the Head Office for Rs. 84,000. I never instructed them to go to the Kalbadevi branch. I did not know that that sum was obtained there.

I do not know anything about an advance on the 16th March 1865 of Rs. 1,80,000, or about another on the 28th March for Rupees 13,000. Davidass, Luckmeedass, and Ramdass Toolseydass were working together. Ramdass was not employed by us. I do not know of their obtaining in January 1865 a loan of Rs. 1,00,000 from the Bank of Bombay. I do not know that Davidass and Burjorjee Rustomjee obtained five lakhs from the Kalbadevi branch.

Jumnadass and Davidass had large credit in the bazaar, and we did not inquire where they obtained the money, they had no security from us that we should ever repay them. Business was so done at that time in Bombay. I never authorized them to use my name. I always went myself for my loans. Atmaram Madhowjee knows where the loans were obtained.

The Mazagon Land Reclamation Company was promoted by the Directors of the Alliance Financial Corporation. Premchund bought the property from Government. I believe Mr. M. Scott and Mr. Gavin Steel and others were interested in the purchase. I cannot swear to that. They gave forty lakhs to Government for the property, and resold to us for sixty lakhs. A Company was formed which we promoted. The Promoters were Atmaram Madhowjee, Ghellabhoy Puddumsey, Hurbun Nursey, Sewjee Welljee, myself, and Mr. Taylor, who was not prominently put forward. He was not a director. He was Master in Equity of the High Court at that time. I think there was an advance of five lakhs obtained from the Asiatic Banking Corporation for that purchase. I do not remember borrowing from any other Bank. A great many wealthy natives were shareholders. The right to allot one-half of the shares was left to Premchund Roychund. That was part of the bargain. He appeared to take a great interest in the Mazagon Company. I am not aware of his having interfered in any other transaction except the loan of Rs. 5,50,000 to get money from the Bank of Bombay for the Alliance Financial Corporation, or for me, Mr. Taylor, or Atmaram Madhowjee. He used his influence with the Bank, I think, to obtain a loan for the Mazagon Company, just about the time when the Company was started. I do not know the present state of the affairs of the Mazagon Company. I do not know whether the Deccan Cotton Cleaning Company had any connection with the Alliance Financial Corporation. The native directors of the Corporation were speculators. I admit that I was a speculator, so was Mr. Taylor; almost everybody was at that time.

I generally saw Mr. Blair at the Bank of Bombay. Sometimes Mr. Robertson. I think Mr. Blair acted on his own responsibility. Whenever I applied to him the loans were granted immediately. I produce a number of letters and memoranda which I have found amongst my papers (marked H). I was sued by the Bank of Bombay for Rs. 5,50,000. I gave them a judgment. I believe that nothing has been paid under it. I know nothing of the Kattiawar Trading Company, or of the Imperial Banking and Trading Company. Jumnadass Doolubdass is in Bombay. I have not seen Davidass Luckmeedass lately.

Mr. Sim, trustee of Mr. Diver's Estate, produces Dr. Diver's diary, and promises to send other papers.

13th July 1868.

13 July 1868.
Mr. Atmaram Madhowjee.

ATMARAM MADHOWJEE, affirmed.

I was a Director of the Alliance Financial Corporation. I was also a Director of the Mazagon Land Reclamation Company, but not a Director of the Deccan Cotton Cleaning Company, or of any other Company.

The Alliance Financial Corporation obtained from the Bank of Bombay on 21st October 1864, Rs. 5,00,000, and on the 8th November 1864, Rs. 5,00,000. I took no active part in obtaining these loans. I do not know exactly who negociated them. I believe Premchund did, but I cannot say with whom. My belief that they were obtained by him does not rest on any particular circumstance. I cannot say that I know it.

These sums were taken at a low rate of interest, to be lent out by the Corporation at a higher rate. The money was to be used in making advances and loans on security of shares. There was no particular person to be accommodated, it was to put more money into the hands of the Alliance Financial Corporation. There was no particular broker appointed at that time for the Company. Our brokers were Davidass

Luckmeedass and one or two Marwaree brokers. I was not well acquainted with Mr. Blair. I never applied to him for a loan.

On the 11th October 1864, Dr. Diver, Mr. Taylor, and I obtained a loan for Rs. 5,50,000 from the Bank of Bombay, Premchund having bought twenty shares in the Bombay Reclamation Company for us, he arranged for the money with the Bank of Bombay. Dr. Diver told me this. I did not then understand that Premchund had sold his own shares to us. He bought for us. We had to pay him for them. I do not know how the money was drawn out of the Bank of Bombay. We signed the note and a slip which we returned to Premchund, and he or his clerk would draw out the money. It was understood that Premchund was to deliver the share certificates to the Bank. Subsequently we learnt that for a month or so the Bank had not obtained the share certificates. I do not know that the Bank ever realised the shares. There was some litigation about them.

I do not remember the advance of Rs. 1,06,000, or whether it was a renewal of two former bills. Jumnadass Doolubdass is a broker in partnership with Davidass Luckmeedass. They were not employed by the Alliance Financial Association. They did a good portion of our individual business. They used to buy shares for us, and get the money from different sources. They did not report where they had obtained money for us. They took margin money from us and provided the rest of the money as they liked. They borrowed in their own names. The share certificates remained with them. It was a common practice in Bombay at that time. The shares were not registered in our names. The broker pledged the shares in his own name. The person advancing the money got possession of the share certificates. He knew nothing of us. Sometimes the lender would have the shares transferred into his name. Sometimes only blank transfers were taken. We had to pay the broker. He did not trust to our credit wholly. We paid him margin money. The shares were ours, and bought on our responsibility. They were known as our brokers. They had no occasion to mention our names to the Banks. I know nothing of their advances obtained from the Head Office of the Bank of Bombay. I know of a loan for Rs. 2,41,000, and another for Rs. 5,000 obtained by them from the Kalbadevi Branch. I signed the note when those loans were renewed. Davidass asked me to put my name. The security was sufficient, therefore I signed. I did not know at the time that the money was borrowed for us.

I know nothing about the Rs. 84,000 being borrowed from the Kalbadevi Branch for me, Mr. Diver, and Mr. Taylor. I venture to contradict Dr. Diver about it as far as my knowledge goes. Ramdass was Davidass' servant. I do not know of any advances to Davidass and Burjorjee Rustomjee, except one mentioned in this statement which I have prepared. (Marked I.) I know nothing of the borrowing of five lakhs by Davidass and Burjorjee from the Branch Bank. I know of the Rs. 2,50,000 loan. Burjorjee was my friend, and I joined in it because the loan was well secured. My name was not given on the original loan. I cannot say exactly that the money was not borrowed on our account. They may have borrowed some of that money for us. We employed them to finance for us. They might go to the Bank of Bombay or any other Bank. I did not put my name to the bill for Rs. 2,50,000, because the money had been obtained for me.

13 July 1868.

Mr. Atmaram Madhowjee.

I was a promoter and Director of the Mazagon Land Reclamation Company. The property was purchased by Mr. M. Scott, Cowasjee Jehangeer, Premchund Roychund, and, I believe, Mr. Cassels and Mr. Hannay. They gave forty lakhs. We bought it of them for sixty lakhs; we five promoters. It was one of the stipulations that each of the Vendors was to receive 100 shares. They received five lakhs a piece and 100 shares. The Alliance Financial acted as Bankers to the Mazagon Company, and received an allotment of 100 shares in the Company. It was formed about the beginning of November 1864.

Question.—Might not the ten lakhs borrowed from the Bank of Bombay on the 21st October and 8th November 1864 have been borrowed to pay part of the purchase money of the land, and not to lend at interest?

Answer.—Perhaps so.

Question.—That might explain how you got it so easily?

Answer.—Perhaps so, I cannot say.

Question.—It was of course material to Mr. Scott and Premchund and the other vendors to obtain the sixty lakhs?

No doubt it was material to them, but we could have paid the money out of the first call on the Mazagon Company's shares, amounting to sixty lakhs; that would have paid for it. We borrowed five lakhs ourselves from the Alliance Bank to pay for earnest money. That was for a few days. It was quite in our power to pay the sixty lakhs from the call on the Mazagon shares. The allotments were made, and the money came in immediately.

I was not a Director of the Deccan Cotton Cleaning Company, or of the Kattiawar Trading Company, or of the Imperial Banking and Trading Company. I was jointly liable with Davidass for two loans, one of Rs. 2,50,000 and one of Rs. 80,000 to the Bank of Bombay. I obtained the Rs. 80,000, and Davidass gave his name. I know nothing about their borrowing from the Kalbadevi Branch of the Bank of Bombay. I deny that I knew they borrowed for us. I put my name to oblige Davidass for the loan of Rs. 2,50,000.

I am a Merchant. I was broker to Messrs. Brice and Co. I have passed under Act XXVIII. of 1865. I have had time-bargains in shares. It was not my chief business. No dividend has yet been paid out of my estate. I took the benefit of Act XXVIII. of 1865 in July 1866; there is a large claim by my estate against Brice and Company. I think some of it will be recovered.

Before the renewal of the bill for Rs. 2,50,000 I was not in any joint transaction with Davidass and Burjorjee, except one of Rs. 30,000, which I suppose was reduced to Rs. 25,000 at renewal. There were none at the Branch Bank. I was an allottee in the Alliance Bank. The calls of the Alliance Financial Corporation were first paid into the Alliance Bank. The Directors of the Alliance Bank were Mr. Kelly, Hurbum Nursey, Ghellabhoy Puddumsey, Sewjee Velljee, and J. A. Sassoon. Hurbum Nursey, Ghellabhoy Puddumsey, and Sewjee Velljee were also Directors of the Alliance Financial Corporation and of the Mazagon Company. The Alliance Bank is also in liquidation.

I had accounts with Jumnadass Doolubdass and Davidass Luckmeedass. I produce a book in which they are entered. The share transactions only are entered. This book contains accounts of transactions with Jumnadass and Davidass only (marked I 2).

13th July 1868.

13 July 1868.

Mr. Taylor.

GEORGE TAYLOR, sworn.

In 1864 I was Master in Equity of the High Court, Bombay. I was much engaged in speculations in shares. I was a shareholder in the Alliance Financial Corporation, and became a Director of it in February 1865. I was a shareholder in the Mazagon Reclamation Company. I was not a shareholder

13 July 1868.

Mr. Taylor.

in the Alliance Bank. I obtained the following advances from the Bank of Bombay:—

On the 11th October 1864 a fixed loan of Rs. 5,50,000 was granted to Dr. Diver, Atmaram Madhowjee, and myself.

On the 28th December 1864 a fixed loan of Rs. 2,00,000 on security of twenty Bengal Bank shares was granted to me.

On the 10th January 1865 a bill was discounted by the Bank for Rs. 2,00,000 in my name and Dr. Diver's.

On the 21st April 1865 a discount of Rs. 1,00,000 was obtained, in which Messrs. Brice and Co. were concerned.

On the first loan there has been a total loss. The second loan was secured by Bengal Bank Shares. They fell nearly 1,000 Rs. a share almost immediately after the deposit. The loan for Rs. 5,50,000 I know nothing of. I have frequently heard from Dr. Diver that Premchund said he would finance for the purchase of twenty Bombay Reclamation Company's shares. I did not communicate with Premchund Roychund about it. I never saw Mr. Blair on the subject or Mr. Robertson. I signed the note, and I believed the share certificates were deposited in the Bank. The money was borrowed to buy Bombay Reclamation Company's shares from Premchund or through him. I supposed the money would not be advanced by the bank till the shares were lodged.

The two lakhs were borrowed on security of Bengal Bank Shares. There may have been a loss on that loan of Rs. 91,358. I recollect, I think, seeing Mr. Blair about that advance. I think Mr. Diver had an interest in the purchase of the shares. I raised money also from the Agra and Asiatic Banks. I had some Bengal Bank shares of my own at the time. I think that parcel of shares was got through Premchund, as well as some Asiatic Banking Corporation shares, which I bought at the time. I deposited my own shares with the Agra Bank. On the renewal of the note for Rs. 2,00,000 I paid Rs. 5,000. We did not lodge security, but I was a large shareholder in the Bank of Bombay, and they had a lien on my shares. I do not recollect negociating that loan. I know of no difficulty having occurred in raising the loan. I do not know who negociated it, and I did not use any influence with any Director of the Bank until, when credit was gone, I wanted a sum of Rs. 5,000 or Rs. 10,000 for family purposes, and the Secretary referred to Mr. Hannay, who authorized that advance, and I repaid it.

I have not the slightest idea what the Rs. 2,00,000 was raised for. I jotted down in my Diary transactions at the time, but so indistinctly that it will not give the information.

I had not an account with the Asiatic Bank at the time. If the advance of two lakhs went there, then Premchund paid it to his own account. There were transactions in which others were interested besides me and Mr. Diver. I know very little about the transactions. Dr. Diver and Atmaram Madhowjee managed everything in fact for the Alliance Financial Corporation.

I paid on April 7th, 1865, Rs. 5,000 on the renewal of the two lakhs loan. I find an entry to that effect in my Diary. I cannot swear whether any difficulty was made about renewing the advance for two lakhs. I certainly had no interview at which any difficulty was experienced. I am slightly acquainted with Cowasjee Manockjee. I never asked him to influence a renewal of the loan. I have no doubt the two lakhs were borrowed in connexion with some speculation. I do not know from whom shares were to be bought.

The loan with Brice and Company for rupees 1,00,000 was for the purchase by the house and Land Investment Company of land at Breach Candy for building a Club or Hotel. Dr. Diver, who had been elected a Director of that Company, objected to the land being taken. The result was that Mr. Brice, Mr. Macfarlane, myself, and Nowrojee Ardaseer Davur took the land and borrowed the money; and the land depreciating in value the contract was not completed. The seller took back the land for a consideration, and Mr. Brice went into trust, so did Mr. Macfarlane, and Nowrojee Adaseer Davur, and I am much in the same position. I do not know how the loan was obtained. Mr. Brice, I think, managed it, and I only signed my name to the note. I only knew that the money had been obtained. I am informed that on this advance a total loss has been sustained by the Bank; and on all the transactions there may have been a loss of Rs. 9,11,942. On the cessation of the American War, which was made known by telegram, everything went down about four hundred per cent. I was a speculator, but I was known to be a man of wealth. My income for at least a year previous was Rs. 1,20,000. £4,000 was my official income. I received £4,000 a year from my Agra Bank shares and from other shares £4,000 a year more. The Agra Bank and the Bombay Bank in which I had twenty shares failed, the value of my private property fell from ten lakhs to nothing. I know Jumnadass Doolubdass and Davidass Luckmeedass. They were brokers, employed by Dr. Diver, Atmaram Madhowjee, and me to purchase shares for us. They were simply brokers. In some instances they were not supplied with funds, but purchased the shares and pledged them, receiving margin money from us. They only delivered to us bought notes, and asked for their margin, twenty-five per cent. or whatever it might be. I meddled very little in the matter. I knew that the money was got from the Shroffs. When bad news came I told Dr. Diver that the loans must be put into our names, and that was done in several Banks. I do not think that there are any debts of ours to the Bank of Bombay in their names. I am not aware of any, certainly. I am not aware of their being sent round to the Banks to borrow for us, and I think not for the Alliance Financial. I know nothing of the Alliance Bank, it was founded before the Alliance Financial Corporation and Mazagon Company.

I had a large allotment of shares in the Mazagon Company. Dr. Diver and Ghellabhoy Puddumsey acted in concert with Premchund, and got up the Mazagon Company. I did not see anybody about it. I was not a promoter of it, or a Director in it. I had a large allotment, as Dr. Diver's friend. I did not make any allotment of the shares. There is still an instalment of the original purchase money due to Government. I gave up 50 of my 100 shares upon the understanding that the other Directors should do the same, and that the shares given up by us should be allotted to Europeans. Mr. M. Scott, Cowasjee Jehangeer, and Mr. Cassells were projectors of the Company. I believe all my shares in the Bank of Bombay have been sold under the lien. I cannot give any explanation as to how these large loans came to us, except that all the Banks made such advances. It had been going on for some years, and was suddenly brought to an end. Many of the Banks suffered in the same way.

14 July 1868.

Mr. Cassinath Babajee.

14th July 1868.

CASSINATH BABAJEE, affirmed.

I am employed in the New Bank of Bombay, Limited. I was employed in the Bank of Bombay. Mr. Robertson sent me a memorandum directing me to give up Roychund Deepchund's Government securities. I gave the memorandum to Mr. de Ga to be pasted in his book, as the notes were a security for a cash credit.

I referred to Mr. deGa to learn whether the cash credit was paid off. Mr. deGa then sent a memorandum to Mr. Robertson to make the matter more clear. He did not show it to me on its return from Mr. Robertson. I did not see it so far as I remember. Mr. deGa came to my desk and said to me, "Give up the Government paper deposited by Roychund Deepchund." I do not exactly recollect to whom I gave the Government notes. Roychund Deepchund did not himself apply to me, I think. I gave up the notes on the same day.

14 July 1868.

Mr. Cassinath Babujee.

14th July 1868.

14 July 1868.

CURSETJEE FURDOONJEE, sworn.

Mr. Cursetjee Furdoonjee.

On the 27th December 1864 I applied to the Bank of Bombay for a loan of Rs. 3,20,000 on security of Government paper. I gave security, and the loan has been repaid.

On the next day, the 28th December 1864, I obtained a fixed loan from the Bank of Bombay of Rs. 6,25,000.

On the 16th January 1865 I obtained a fixed loan for Rs. 3,00,000. I gave a promissory note. I did not give any security for that loan or for the Rs. 6,25,000. I had overdrawn my current account from November 1864. I drew the money at different times. There is only one account in my name. It was overdrawn on 11th April 1866 to the amount of Rs. 2,08,000. I do not know that the Bank opened a cash credit account in my name. I kept only the current deposit account in my books. Premchund Roychund sold me Bombay Reclamation Company's shares, and he negotiated for me with the Bank of Bombay a loan of Rs. 6,25,000 on a deposit of ten shares. Premchund sent for my signature a promissory note to the Bank for that amount. This is the document which I signed (marked A 51). I do not think I signed any other document. Premchund fixed the rate of interest. I do not know whether he deposited the share certificates with the Bank. I did not deposit them, and I do not know when they were deposited.

The next loan was for three lakhs. There was no security given. I do not recollect how I obtained that loan, or whether I saw Mr. Blair or not. I do not think there was any difficulty made about the advance. I do not recollect whether security was asked for. I do not know whether any one recommended me. I knew many of the Directors. I knew Rustomjee Jamsetjee Jejeebhoy very well. I do not know whether he was attending then as a Director. He was often sick. I might have asked him to assist me to get that loan. I was not trading with him in January 1865. I ceased to trade with him in October 1864. Our joint transactions were chiefly in cotton, and they ceased at the Dewallee, 30th October 1864. I am quite sure that they ceased then. We were on good terms after our partnership ceased. The three lakhs were taken on 15th August 1864, and the loan was renewed on 15th November 1864, and again on the 16th January 1865. When the loan was obtained I think Rustomjee Jamsetjee Jejeebhoy was a Director of the Bank, and he was engaged with me in a joint trade in August 1864. I think I was not asked for security. I think the money was not taken for the purchase of shares. It was for the purposes of trade. I was trading with him only in cotton. I cannot say whether I expended the money in that trade or for what purpose.

I came to be allowed to overdraw my account on account of my credit with the Bank. I had had large transactions with the Bank. I never had a penny of the Rs. 6,25,000. I do not recollect any remonstrance about my overdrawing for so large a sum as two lakhs. I do not know whether it was allowed by the Bank to others. I obtained leave to overdraw from the Secretary on the 16th November 1864. I asked for leave to overdraw up to two lakhs; it was more like a cash credit. I do not recollect that any influence was used to obtain that permission. I obtained it myself, although I had more than 12 lakhs outstanding. I did not need any other person's influence. Some influence may have been used. I do not remember asking Rustomjee Jamsetjee Jejeebhoy to exert his influence with the Bank. I may have asked him to do so. I used to apply in person to the Secretary for my advances. I have no recollection of obtaining the influence of others. Premchund had nothing to do with that loan that I recollect.

I remember a time-bargain with Premchund about Bombay Reclamation Company's shares, but I did not know that the shares belonged to the Eastern Financial Association until the contract was sent for my signature; there was a time-bargain paper sent for my signature. The paper was dated the 26th November 1864, but not sent to me for my signature until January 1865. When the paper was sent to me I found that the shares belonged to the Eastern Financial Association. I heard afterwards that Premchund signed a time-bargain paper, and there was a dispute in Court between the Liquidator of the Eastern Financial Association and him at the time. I dealt with Premchund. I thought I was dealing with him alone. He did not mention the Eastern Financial Association. I cannot give any information about the proceedings of the Bank of Bombay in granting loans in 1864 and 1865.

I am not now a shareholder in the Bank.

14th July 1868.

14 July 1868.

RUSTOMJEE JAMSETJEE JEJEEBHOY, sworn.

Mr. Rustomjee Jamsetjee Jejeebhoy.

On the 14th July 1864 a cash credit of Rs. 5,00,000 was obtained from the Bank of Bombay by my brother, Sorabjee Jamsetjee Jejeebhoy. On the 17th July 1865 there was an advance for Rs. 1,00,000 in his name and mine. Some security had been then given to the Bank. There was also a bill discounted for Rs. 1,75,000 in July 1865 to clear off Sorabjee's original loan.

In December 1865 there was an advance in the name of Rustomjee Jamsetjee Jejeebhoy and Company for Rs. 2,00,000.

On 22nd July 1864 I obtained a discount for Rs. 2,21,000; it was renewed in January 1865.

On the 5th April 1865 I had an advance on Government securities and railway stock, ending in a debit of Rs. 2,12,377 in April 1866. The total advances were Rs. 14,18,357. Including my brother's debt the loss on my transactions was Rs. 2,14,000, and the total loss about Rs. 8,00,000, I think, on all the transactions. No security was given for the loan on the 14th July 1864 of Rs. 5,00,000. I was a Director of the Bank of Bombay at that time. I was elected a Director in December 1863, and remained a Director during 1864, but was absent from ill-health. I attended on 9th February 1865 merely to keep my seat on the Board. I had had an operation performed. I ceased to sit from that day, and therefore became disqualified as a Director in May 1865. From the 20th November 1864 to 9th February 1865 I did not attend the Board meetings. I was re-elected on the 13th July 1865, and remained a Director till May 1866. I ceased to attend early in 1866 on account of

14 July 1868.

Mr. Rustomjee Jamsetjee Jejeebhoy.

sickness. I did not sit after the 16th January, and was therefore disqualified on the 16th April 1866.

The loan for Rs. 5,00,000 was obtained on the 14th July 1864. I believe I was not in Bombay. I did not negociate that loan. I knew very little about my brother's affairs. I did not ask any Director to grant the loan. I did not borrow it. I was at Poona. I was not responsible in 1864 for Sorabjee's debts. I lent my name for him on the 15th July 1865, when I guaranteed all his debts. I was no party to obtaining the loan. My brother's Mehta, Vizbhoocundass Pranjeewundass, says that Premchund took that money away.

On the 11th January 1865 there was a renewal granted to me of a loan obtained on 22nd July 1864 for Rs. 2,21,000. I did not give any security to the Bank for that loan. I was in Poona, and may have negociated it through my son-in-law, Shapoorjee Jewajee. A portion of it has been paid off, leaving a balance of Rs. 1,66,000. I cannot say by whom that transaction was recommended to the Directors. The money was borrowed to pay calls on new shares issued by the Bank of Bengal.

On the 17th July 1865 there was an advance taken from the Bank of Rs. 1,00,000 to pay off Sorabjee's debts.

The debt of Rs. 1,75,000 originated in a loan of two lakhs. It was originally granted him on 8th March 1865 without my knowledge. Sorabjee paid Rs. 25,000, and got a renewal for Rs. 1,75,000. It was on the 10th July 1865, not the 17th, I believe. Some security may have been given. I do not recollect about Sorabjee's debts and affairs. I was a Director of the Bank in July 1865. I think Sorabjee obtained the loan through Mr. Greig, an agent of his. It was before I was re-elected. There was no opposition to my re-election by my brother Directors. I was elected without my consent being asked. It is for my brother Directors to say whether they objected on account of my liability to the Bank.

I commenced to overdraw my account on the 5th April 1865, and deposited with the Bank Government Notes for Rs. 2,24,000 and £10,000 Railway stock. I cannot say what the securities realised. I had permission to overdraw to the extent of three lakhs. I actually drew only Rs. 2,12,357.

The last advance was in December 1865. It was an advance to me of Rs. 2,10,000. It was on a distinct promise that I would repay it in a fortnight or three weeks. I wrote to that effect to the Secretary. On 23rd December 1865 I paid one lakh to the Bank. I had a promise of another lakh from a friend, and he did not pay me. Had he done so my loan would have been paid off. The loan was for a very short time. (Looks at letters shewn to him.) This is my letter (marked A 38). No security was asked for. I do not remember applying to any of my brother Directors to obtain that loan. I did not apply to Mr. Hannay. I believe I was a Director at the time. The money was borrowed to pay for up-country hoondies at short dates. I did not experience any difficulty after failing to keep my promise about that loan in obtaining renewals in January 1866. Mr. Lidderdale asked me to try and reduce the loans, and I reduced them. Shortly after January 1866 I ceased to attend as a Director. When I borrowed it was understood that I was only a guarantee for Sorabjee, and that time was to be given to me to pay. Having been connected with the Bank for twenty-six years, and they being the bankers of my family, I did not wish to go for loans elsewhere. If I had foreseen the difficulty that was coming upon me I would not have gone to the Bank of Bombay. No one foresaw it.

Shapoorjee Dhunjeebhoy is married to my sister. On the 14th December 1864 he had a loan from the Bank of Rs. 3,00,000 with Byramjee Manockjee, and on 28th April 1865 Rs. 1,00,000 on his sole account. On the 14th December 1864 I was laid up, and on the 28th April I was absent from Bombay, at Khandalla, for change. I do not know how he obtained the loans. I do not know anything of any joint loan of his with Atmaram Madhowjee. When I saw his name on the discount list on a former occasion I remonstrated with Mr. Blair. I knew Shapoorjee's circumstances, and told Mr. Blair Rs. 50,000 was enough to advance him. I cannot tell you how he subsequently obtained such large advances from the Bank in the face of my opinion. I disclaim all knowledge as to how he obtained the money.

I was neither a promoter nor a Director of the Bombay Joint Stock Corporation. I bought two hundred shares in that Company on the recommendation of the Chairman, Sorabjee Pestonjee Framjee. I had nothing to do with the management of the Company. I was a shareholder formerly in the Bank of Bombay.

Mr. Lidderdale in his evidence stated that the Native Directors were opposed to applications from natives for loans being brought before the Board, but I deny that as far as I am concerned. I, as a Native Director, made no such objection.

14th July 1868.

14 July 1868.

Vizbhoocundass Pranjeewundass.

VIZBHOOCUNDASS PRANJEEWUNDASS, affirmed.

I am a book-keeper in the employment of Sorabjee Jamsetjee Jejeebhoy, and produce his books. The cash credit of Rs. 5,00,000 was obtained from the Bank of Bombay by Sorabjee Jamsetjee Jejeebhoy, and with that sum Bombay Reclamation Company's shares were brought from Premchund Roychund. I do not know who obtained the money from the Bank of Bombay.

There was another loan obtained from the Bank of Bombay by Sorabjee Jamsetjee Jejeebhoy, and it was renewed on the 8th March 1865. Reads an entry as follows:—

"Rupees 3,00,000 which had been borrowed on the 9th December 1864 at three months fell due this day; paid on that account Rs. 2,00,000 and one lakh in notes by the hands of Framjee Bomanjee."

The three lakhs were paid on the 10th December to Gopall Mulhar for cotton.

This letter (marked A 52) shown to me is signed by my master Sorabjee Jamsetjee Jejeebhoy. There is no account with Premchund in Sorabjee's books. Premchund received from him upwards of ten lakhs; five lakhs were borrowed from the Bank of Bombay, and Rs. 5,66,500 were borrowed from the Asiatic Bank, and paid to him for Bombay Reclamation Company's shares.

14th July 1868.

14 July 1868.

Mr. Shapoorjee Jewajee.

SHAPOORJEE JEWAJEE.

I was an assistant in Rustomjee's business. The loan of 22nd July 1864 of Rs. 2,21,000 from the Bank of Bombay was obtained by my applying to the Secretary of the Bank, Mr. Blair, if I recollect rightly. No security was asked for that I can recollect. I believe the money was borrowed to pay for new shares in the Bank of Bengal. I do not think Mr. Blair knew for what purpose the money was wanted. No other loan was outstanding at the time. No difficulty was made about it.

DAVIDASS LUCKMEEDASS, affirmed. 14 July 1868.

Mr. Davidass Luckmeedass.

I am a broker in partnership with Jumnadass Doolubdass. I was employed by Mr. Taylor, Dr. Diver, and Atmaram Madhowjee, to buy shares for them in 1864. They gave a deposit or margin money after I had bought the shares. They did not supply me with money to buy. Money was raised from Banks and Merchants, and the shares were paid for. I did not borrow the money first and then buy the shares. I used to buy shares in the market, and report to my employers the price at which I had bought. The shares were to be paid for in a certain number of days, and in order to pay for them I borrowed money from the Banks and Merchants and transferred the shares to the lenders.

Sometimes my employers paid margin money; sometimes I paid it. We accommodated one another. The sellers attended at the Banks to receive their money, and transfer the shares. They did not part with the shares before they got the money.

I was employed by Mr. Taylor, Dr. Diver, and Atmaram Madhowjee in many transactions. I was not jointly liable with Atmaram Madowjee in any transactions.

(*Cautioned by the President.*) I was not concerned in any partnership transactions. Sometimes I accommodated him with my name to bills, and he did the same thing for me. We were very intimate. I was allowed to overdraw my account with the Alliance Financial Association to the amount of Rs. 5,000 or Rs. 10,000 only. Very likely I owe the Association ten lakhs, but the debt is secured. I was frequently with Atmaram Madhowjee, and did brokerage business for him, and was very intimate with him. I did not report to him, Mr. Taylor, and Dr. Diver, where I obtained money for the share purchases. I do not remember whether I reported to Dr. Diver an advance of Rs. 84,000 on some shares.

Question.—Could Dr. Diver have been able to state in his evidence that the money had been obtained from the Bank of Bombay unless you had told him?

Answer.—I might have told him.

Question.—At the Kalbadevi Branch there were two loans for Rs. 61,000 and Rs. 1,80,000; do you not remember telling Atmaram Madhowjee of those loans?

Answer.—I did report that transaction to him, I wanted his signature for it. I went to the Kalbadevi Branch rather than to the Head Office, because it was more convenient to me. I lived close by the Branch. I negociated the advances with Mr. Bullock. I did not take any recommendation. I obtained a small sum at first, and afterwards other sums.

Question.—Did you not obtain Rs. 13,000 in your own name?

Answer.—Very likely I did.

Question.—Did you not obtain the following loans:

7th January 1865	-	-	Rs. 84,000
11th January	„	-	„ 61,000
24th February	„	-	„ 75,000
16th March	„	-	„ 1,80,000
7th January	„ with Ramdass	-	„ 1,00,000
And on the 1st February 1865, with Burjorjee Rustomjee	-	-	„ 5,00,000?

Answer.—I dare say I did; they were all secured by deposits of shares. I was a security for Burjorjee. They were not lent without security.

(*President again cautions him.*)—My books are with my trustees. I did not transact the advance for five lakhs. Burjorjee Rustomjee did it for himself. I believe Burjorjee paid that money to Premchund for shares which Burjorjee had bought of him. Burjorjee said that Premchund had negociated that loan for him with the Bank, when he asked me to put my name to the bill, and that the money was to be paid to Premchund.

Question.—Who recommended you to the Kalbadevi Branch of the Bank? Be careful in answering.

Answer.—There was no recommendation. I asked the manager to advance to me on shares, and he consented. The manager did not refer to anyone. I was personally known to Mr. Bullock. Security was taken on all occasions of advances to me. The Rs. 13,000 were secured by shares. Ramdass was my security for Rs. 1,00,000. He was also my book keeper. I gave his name as my security for one lakh. I told Mr. Bullock that Ramdass was my servant.

(*Cautioned again.*)—I believe I told him. Very likely I did. He did not trust to the signatures merely; he took the security of shares, and the amount advanced was twenty-five or thirty per cent. less than the maket value of the shares. I recollect these advances of Rs. 61,000 and Rs. 1,80,000. They were not taken to enable me to buy shares for Mr. Taylor, Dr. Diver, and Atmaram Madhowjee. It was in respect of general share transactions, either for them or other gentlemen.

Atmaram Madhowjee signed the note renewing the loans, because there was a large sum of money due by him to me at that time in respect of share transactions previously effected. I cannot say that Atmaram Madhowjee knew of all the advances I had taken from the Bank of Bombay. Very likely he did know that I had borrowed money from the Bank for these transactions. I do not remember exactly at this distance of time what motive actuated him. He was in my debt. Very likely he knew that I had obtained money from the Bank of Bombay and other places. He went to the Bank and gave his signature there. This note (marked A 53) which is shewn to me is the note. (Dated 6th June 1865, Rs. 2,41,000, payable one month after date, and signed by Davidass Luckmeedass, Atmaram Madhowjee, and Jumnadass Doolubdass). Atmaram Madhowjee was not accustomed to inspect my books. I had an account with him. The transactions with him were entered in a separate book from which accounts were made out.

Question.—Do you mean to say that Atmaram Madhowjee did not know that you were indebted to the Bank of Bombay for the shares bought for him?

Answer.—I conclude that he knew it, as he put his name to the note.

14th July 1868.

SUCCARAM ANTOBA, affirmed. 14 July 1868.

Mr. Succaram Antoba.

I am a clerk in the New Bank of Bombay, Limited. I was employed in the Bank of Bombay. I entered the Board Minutes of 6th August 1863 in this book (A 1). I notice the following Resolution at the end of the minutes—"Resolved, that for the present, and until further orders, any application for advances on any bank shares, or other public company, other than Government Banks, be submitted to the Board, and not made by the Secretary."

It is in my handwriting. I added this resolution either on the day on which the minutes were written or on the following day. I cannot speak as to what is in the scroll minute; perhaps it was through an oversight that the passage was omitted here. All that appears in the minutes here was written in this book before the omitted Resolution was entered, but Mr. Foggo had not signed. The words "Vice President" at the foot of the minutes had been written. I am quite sure that the amendment was made before the minutes were confirmed at the next meeting of the Board.

16 July 1868.

Mr. Jumnadass Doolubdass.

16th July 1868.

JUMNADASS DOOLUBDASS, affirmed.

I am a broker. I was a partner with Davidass Luckmeedass. I was employed by Mr. Taylor, Mr. Diver, and Atmaram Madhowjee to buy shares for them. I received from them margin money to buy the shares. I bought the shares in the market, and then went with the sellers to the Bank of Bombay to borrow money on them. In some cases the sellers trusted me with the certificates. I borrowed the money, but not the full amount of the price, and deposited the shares, and then obtained the margin money from Dr. Diver or Atmaram Madhowjee.

When the margin money had been paid by them the shares belonged to those gentlemen. They were responsible to me, and I to the Bank. They had the security of the account between me and them for the margin money and for the shares being delivered to them. They did not know where the shares were deposited. It was a matter of confidence between me and them. I did not report that to them. That has been a practice between me and them for eight years. They knew what shares were bought, but I did not report to them where the shares were deposited. They left the depositing to me. I was at liberty to deposit them where I liked.

I obtained altogether Rs. 3,47,000 from the Head Office, and from the Kalbadevi Branch of the Bombay Bank Rs. 3,25,000, in my name, or in my name and in the name of Davidass Luckmeedass. I obtained these large sums on security of shares. The loss may be Rs. 3,35,000 at the Head Office, and at the Kalbadevi Branch Rs. 1,70,442. The shares stood in such high credit that they were advanced upon like gold. I used to write to the Manager of the Bank for the advances, and he used to answer me.

My partner was well acquainted with Mr. Bullock, the Manager of the Kalbadevi Branch; not intimately acquainted, but well acquainted in business as a broker.

I know Premchund's handwriting.

[The following discount slips are shown to witness (marked A 54 A 55).

"For discount Davidass Luckmeedass and Jumnadass Doolubdass for Rs. 50,000 at 3 months' discount. Previous discount only Rs. 20,000, paid off 21st July last.

Quite safe.
Yours sincerely,
(Signed) P. ROYCHUND."

"For discount.

Davidass Luckmeedass and Jumnadass Doolubdass for Rs. 75,000 at 3 months' discount.

Nothing current.

D. M.
Quite safe.
P. R."]

I cannot identify Premchund's handwriting on these papers. I can only read his Guzeratee handwriting. Perhaps Premchund recommended us to the Bank of Bombay. Very likely he did. We had business with him. Very likely some of the shares bought for Mr. Taylor, Dr. Diver, and Atmaram Madhowjee were bought from Premchund. He was a broker, and we bought from him and from other brokers. I do not remember having asked him to recommend us to the Bank; he may have been asked, and perhaps he did recommend us.

I deposited fourteen shares of the Mazagon Land and Reclamation Company as security for an advance from the Kalbadevi Branch of Rs. 84,000. This is an entry of it in my ledger, which I produce (enter marked J 1). I turn to the account of Premchund Roychund at page two in my ledger. I was in debt to him to the amount of Rs. 1,14,656 at the Dewallee of 1864. There is an entry on the 23rd April 1865 of Rs. 2,90,213, and on the 26th April 1865 another of Rs. 85,040.

There was an advance in which Atmaram Madhowjee was a joint obligor with me to the Bank. He and Mr. Taylor and Dr. Diver owed us a large amount for the purchase of shares. Some of them had been pledged to the Bank of Bombay, and I therefore called upon him to join in the note.

Some days before the sum of Rs. 2,90,213 appears in Premchund's account with him, I obtained Rs. 1,50,000 from the Bank of Bombay. I paid that sum Rs. 1,50,000 to the Presidency Bank. I borrowed it on the 2nd April. Shares were delivered to Premchund. It was not cash which I paid him. I delivered shares to him, and debited him in account with Rs. 2,90,213. I borrowed Rs. 1,22,000 from the Bank of Bombay on the 25th April 1865. The sum of Rs. 85,040 credited to Premchund represents the cost of two hundred and forty shares of the Royal Bank bought by him from us.

Question.—Did not Premchund Roychund require you to lessen your debt to him by delivering those shares to him?

Answer.—He had paid me the sum of three lakhs to enable me to buy the shares. I had many transactions with Premchund as a broker. I did not negociate the loan with the Kalbadevi Branch. My partner did. I cannot say who recommended us. It was more convenient for my partner to go to the Branch than to the Head Office.

When we obtained the further advances at the Head office nothing was said about the debt at the Kalbadevi Branch. They were very likely aware of it, but Commercial Bank shares were deposited at the Head Office for those advances. Four hundred of the Commercial Bank shares came from the Presidency Bank. All the shares were deposited in our name with the Bank of Bombay. I did not mention the names of Mr. Taylor, Dr. Diver, and Atmaram Madhowjee. I had many customers. The share certificates were deposited generally in our name with blank transfers attached to them.

16 July 1868.

Mr. Chapman.

16th July 1868.

CHARLES EDWARD CHAPMAN, sworn.

I am a member of the Bengal Civil Service, and am at present employed in the Financial Department. In 1866 I was officiating Accountant General at Bombay in Mr. Lushington's absence.

I was appointed a Director of the Bank of Bombay on the 23rd April 1866, and attended the first meeting of the Board on 24th April. The Government Directors received the usual honorarium of Rs. 30 for attending on the Board. Mr. Norman was the only other Government Director at that time, as Mr. Lushington's place was not filled up. I took Colonel Marriott's place.

I received no instructions whatever from Government when I was appointed. I was never employed in commercial pursuits, or engaged in any Bank business before. I was not appointed on account of any peculiar knowledge which I possessed.

It was the view of the Government of India that the Accountant General should be ex-officio a Director of the Bank of Bombay. They insisted upon it, but the Bombay Government did not take the same view. I believe as a matter of fact the Accountant General had always been a Government Director, and the Government of India insisted that he should

16 July 1868.

Mr. Chapman.

be. The Government Directors are liable frequently to be changed ; they are liable to go to another Presidency, and to accompany the Government of Bombay on tours. The Officers of the Financial Department were not so liable to be removed. When a Government Director went on a tour with the Government of Bombay for two or three months I cannot say whether any other Government Director was appointed. It was not customary so long as I have been connected with the Bank. The removal of a Government Director for two or three months I do not think would affect his particular knowledge of his duties. I think it would so far interfere as to break the thread of his knowledge of what was going on in the Bank.

The Government Directors sat there as representatives of Government, which was a large shareholder. They were not in the same position for all purposes as the Commercial Directors. It was impossible for them to be acquainted with the credit and standing of the persons borrowing from the Bank, and they necessarily looked to their colleagues, who were acquainted with the commercial world, and who were therefore primarily responsible for the business of the Bank. The Government Directors were liable to be influenced by the Commercial Directors on all points touching the credit of the customers. The Government Directors were not, therefore, equally qualified with the Commercial Directors to judge in all respects. I have reason to suppose that they were kept ignorant with respect to one large transaction as to points known to their colleagues, and which ought to have been made known to them. I think they were kept ignorant both by their brother Commercial Directors and by the Secretary. I know of one or two transactions in which we were kept in ignorance by the Secretary, and misled in answer to questions which we put. There was one case in particular in which this occurred.

President.—We will refer to that presently.

Examination continued.—Immediately after my appointment I brought to the notice of Government that there had been no audit of the accounts as provided for by Section 6 of the agreement between the Government of Bombay and the Bank. I produce a copy of a letter which I addressed to the Secretary of the Bombay Government on the subject, and a copy of the reply which I received (Exhibits marked K 1 and K 2). I was nominated Auditor. I pointed out that I could not act in that capacity, being a Director. Mr. Tyndall and Mr. Benn were appointed, and I was associated with them. I counted the cash balance, and found it correct.

During my incumbency I was not accustomed to consult the Government, but when the Chief Secretary was a Director he was in constant communication with the Governor, and I have no doubt kept him personally informed of the affairs of the Bank. He was in daily communication with the Governor, and I suppose this from the probability of the case. After Mr. J. L. Lushington resumed his post as a Government Director on the 11th May he was accustomed to communicate with the local Government by letter and with the Government of India. During my incumbency the senior Government Director would address the Government demi-officially, whenever there was anything which Government ought to know. There was no written order to that effect that I am aware of. I have no letters on the subject ; there are no written communications in my possession but those to which I have referred. I did not write to Government ; any communications which I had with Government were verbal ones. Mr. Lushington, my chief, would have written to Government, and I should have conferred with him before he wrote.

I have read the Shareholders' Memorial in the Blue Book, and the charges against the Government Directors as to speculating largely. I have never held a share in my life, except shares in the Bank of Bombay. I have no interest in the Asiatic Bank or in the Bombay Reclamation Company. I have not been under any obligation, pecuniary or otherwise, to any Native Director or any one else in this place.

On 26th April 1866 I was summoned to a meeting at the Bank of Bombay at 3 P.M. There were present at that meeting Mr. Lidderdale, the Chairman, Mr. A. Brown, Mr. A. Stewart, Mr. Tracey, and Mr. Norman. There were also present by invitation Mr. Moir of the Oriental Bank, Mr. Campbell of the Chartered Mercantile Bank, Mr. Thomson of the Bank of Hindostan, and Mr. Morrison of the Asiatic Bank. Mr. Kelly, the Solicitor of the Bank of Bombay, and Premchund Roychund were not present. The Bank Managers whom I have named were invited, because the Bank of Bombay would not take upon itself the responsibility of granting Premchund the advance which he required to carry him on. Mr. Lidderdale opened the discussion by stating that Premchund was in difficulties, and would suspend payment next day unless immediately assisted. He added that the amount required to enable Premchund to carry on was twenty-five lakhs, which was a larger sum than the Bank felt justified in advancing ; that it was a matter of interest to all the Banks of Bombay that Premchund should be supported, and that he had therefore convened their Managers to consider the matter. Mr. Moir, I think, stated in reply that he had no interest in supporting Premchund, and I think Mr. Campbell also made a similar statement; but Mr. Moir said he would for the general benefit of the place bear his share in supporting Premchund. I forget his exact words. There was no secret about Mr. Morrison being interested in supporting Premchund, and he agreed ; so did Mr. Thomson. There was some discussion as to the amount which Mr. Moir and Mr. Campbell should respectively contribute, and as it was growing late the meeting was adjourned to Mr. Lidderdale's bungalow for the following morning, partly to give time to Mr. Moir and Mr. Campbell to consider to what extent they would agree to be responsible, and generally to give time to the Managers of the Banks for further discussion. I did not avail myself of the adjournment to seek advice elsewhere. It was said to be extremely important to keep the matter secret, and I should not have felt justified in mentioning it outside the Bank parlour.

I attended the meeting at 7 A.M. next morning at Mr. Lidderdale's bungalow. All who were present at the previous meeting were there, and Mr. Müller, of the Comptoir d'Escompte, and Mr. Beattie, of the Commercial Bank, also attended. Mr. Kelly was brought up, and sat at the President's right hand. The Secretary of the Bank of Bombay was present, but going to and fro between the President and Premchund, who was sitting outside in the porch. Mr. Tracey was also the medium of communication between the Directors and Premchund. I look at a document (marked A 58). I do not think I could recognize the original, as I think it did not come into my hand. A full statement of Premchund's affairs was not produced. I only remember a rough statement of his pressing liabilities. I only saw it passed about amongst one or two Directors. It was very slightly discussed ; it was in no respect verified as to its truth. No mention whatever was made of his liability to any of the Banks. There was no statement of his affairs generally. I did not see one or hear one discussed. The object was to stave off his pressing difficulties. He had up-country bills to meet, and it was necessary to enable him to telegraph up-country.

Question.—How could any person at the meeting have formed an idea whether the assistance he asked for would enable him to tide over his difficulties if you had not a general statement of his affairs ?

Answer.—The only explanation I can give is that Premchund held a peculiar position in Bombay. The idea of his insolvency had hardly been realized, and all the Directors, with one exception, must have been ignorant of his true position.

Question.—Was not his peculiar position that of being the greatest speculator in Bombay ?

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Answer.—Undoubtedly he was the greatest speculator in Bombay, but he had been courted by all classes of society. His position was far above that of an ordinary speculator, and I should call him the keystone of the commercial prosperity of Bombay. We certainly were considering the question whether we should stave off his insolvency, and on learning the large advance he required our eyes were opened to the nature of his position. Undoubtedly we ought to have had a full statement of his affairs. I cannot say that I remember any one suggesting that there should be an inquiry into his position. Premchund was not asked to satisfy us that if 25 lakhs were advanced, that sum would effect our object.

I do not think that Mr. Robertson was sent out to ask him as to his securities. There was a rough pencilled list made by Mr. Robertson at the time as to his securities. I look at a document (marked A 59).

This paper purports to be a copy of the above-mentioned pencilled list. The original statement was something to the same effect: it was sometimes in Mr. Robertson's hand, and sometimes in Mr. Tracey's. Mr. Norman, the Collector, knew the lands personally. I cannot say whether he knew whether they were incumbered. I do not remember any discussion as to whether the Bank could advance on lands. I spoke to Mr. Lidderdale shortly afterwards about it. The great question was to obtain as much security as possible. Mr. Tracey said, after going to Premchund, that he said that if we really gave him so much trouble he would prefer stopping at once. Mr. Tracey took an active part on that occasion. I should say that Mr. Tracey, not Mr. Robertson, was the exponent of Premchund's statements on that occasion. The jewels were stated to be worth twenty lakhs; they were not seen at the time. I believe some had to be obtained from his wife. I do not think that any of the jewels were known to the Directors, although it was known that he was possessed of valuable jewels. Very little discussion took place. It was considered that the advance would be well covered by the securities, and they satisfied the joint guarantors,—the Managers of the other Banks. He was to have assistance that morning, else it would be useless; there was no dissenting voice. I think I and the Government Directors felt we could not oppose our opinion against that of the Commercial Directors. We knew what the effect of Premchund's stoppage would be, and we could not incur the responsibility of opposing the loan. I should like to add for myself that I had then only been two days on the Direction, and I did not feel at liberty to take any leading part in this transaction.

The agreement come to was that the Bank of Bombay should, if need be, advance the whole of the money, but that the responsibility should be shared by the Banks in the several proportions accepted by their several Managers. I have come to know that the arrangement was not reduced into writing. I cannot say no note was taken. The Bank's Solicitor was sitting there with instructions to take a note, and reduce the matter to a legal form. Mr. Lidderdale's partner, Mr. Steuart, went for Mr. Kelly, and brought him to the meeting. I did not hear Mr. Lidderdale give him any instructions. He was there as the Bank's legal adviser. He did not reduce the arrangement into writing. I did not hear any order given to him to do so, but seeing him there with his pens and paper, we of course assumed that he would perform the business for which he had been summoned to the meeting. I understood he was there to do it, and would do it. If he had done it there I should have seen it. I did not think he was doing it then. I did not see any paper handed round for the Bank Managers to sign. I did not hear Mr. Lidderdale tell him to prepare it before the money was paid out on that afternoon. I was sitting at some distance from Mr. Lidderdale, and I might not have heard.

Question.—Do you think that you sufficiently protected the shareholders by leaving the room without the full statement of Premchund's affairs, without verifying the securities offered, and without reducing the agreement into writing, and having it signed by the Managers of the other Banks?

Answer.—*I must admit it was a great omission, and I can only say in extenuation that I was quite new to the way in which business was then done, and I took it for granted that it would be properly done.* I cannot remember that there was any *suggestion that* the terms of the arrangement should be taken down. I think it was strange not to do so. I knew that a portion of the money would have to be paid that day. I and Mr. Norman remained to breakfast with Mr. Lidderdale, and after breakfast I and Mr. Norman discussed who should go to report to the Governor of Bombay, and I and Mr. Lidderdale went. We went to Malabar Point, and were told that the Governor was at Parell, and much engaged in preparations for going to Mahabuleshwur. I had my duties to perform as Accountant General, and Mr. Lidderdale drove me back to my house and left me there. I made up my mind to see the Governor next morning, as my duties were pressing, and Parell was five miles off. I did not see the Governor or report the circumstance of the meeting to any member of Government that day.

I wrote to an Aide-de-Camp the following day. A public breakfast was given by the Governor at Malabar Hill, and I wrote to ask for a private interview with the Governor. It was the Governor's custom to have gentlemen up who wished to speak to him, one by one, after breakfast. I went in my turn. I knew Sir Bartle Frere very slightly then. I did not therefore enter into a long conversation with him, but I told him that Premchund was in difficulties, and had made an application to the Bank of Bombay for an advance. I cannot swear that I mentioned twenty-five lakhs, but to the best of my belief I said that the amount required was twenty-five lakhs. I also told Sir Bartle of the arrangement with the Managers of the leading Banks. Sir Bartle's reply was very brief. As far as I remember he said, "*Have you satisfied yourselves with regard to the security?*" to which I assented. I believed at the time that the *President* (Mr. Lidderdale) had communicated with the Governor, and I was not surprised that he did not enter more fully with me into the circumstances of the case. That was all that passed about it. Sir Bartle proceeded to talk to me about the clause as to auditing the accounts in the agreement which I brought to his notice as having been neglected, and discussed at some length his reasons for not having appointed me a Government Director when I became Officiating Accountant General. *He did not express approval or disapproval of the advance to Premchund. This took place between 9 and 10 A.M. on the 28th April. I believe the Bank books show that money had been paid out by the Bank on the 27th April. I cannot be sure without reference to the books. I cannot say how much was paid on the 27th April. I acted* for Mr. Norman and myself in the matter in visiting the Governor. There was no other Government Director, and I and the President represented both classes of Directors.

When I said all the Directors but one were ignorant of Premchund's affairs, I referred to Mr. Tracey as the exception. I said I had been kept in ignorance by some of my brother Directors; perhaps I should have said by one of them. The occasion was this. Very shortly after the loan to Premchund had been given it appeared in our books, which were lying on the Board, that there was an amount overdrawn by Premchund to the extent of Rs. 3,50,000. I asked the Secretary, Mr. Robertson, by what authority this overdraft was allowed. I could get no information at that meeting, and I reverted to it at the next Board meeting, whereupon Mr. Robertson looking across the table at Mr. Tracey, said that the overdraft was guaranteed by Messrs. Ritchie, Steuart, and Company. My colleagues were apparently satisfied with this explanation,—Ritchie, Steuart, and Company's firm being of undoubted standing. My mind was also satisfied, as I knew that Mr. Tracey was a partner in

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that firm. When Premchund failed we insisted upon the production of this guarantee, which will be found, I have no doubt, in the Bank. It was a mere note, saying, "My dear Robinson, I guarantee the payment of Premchund's overdraft." It was signed by Mr. Tracey in his own name, and the year did not appear. The letter was utterly worthless, and no guarantee. That is why I say that in this instance the Government Directors were misled. We were advised by the Bank's Solicitor that we could not recover upon it. Mr. Tracey must have been aware that it was *not* a guarantee. Mr. Robertson also, I think, misled us in this instance. Mr. Robertson told me afterwards that on the morning when the loan of 25 lakhs was granted, he had had a conversation with Mr. Tracey on his way to Mr. Lidderdale's bungalow, and had asked Mr. Tracey whether, in the event of the loan being granted, he would not wish a portion of it devoted to paying off the overdraft of three lakhs, and that Mr. Tracey said "No." On that morning I think the Government Directors had a right to know from the rest, that Premchund owed this money to the Bank. It was a matter on which we were necessarily ignorant. The knowledge of it would have materially influenced our judgment. I cannot say when the title deeds were deposited. The bulk of the jewels was deposited next day, I think. I understand Rs. 2,30,000, is offered for the jewels.

I never heard of the Government of Bombay or any member of it being consulted as to any other loans by the Bank.

As to the Asiatic Banking Corporation's securities we thought ourselves at the time amply secured. We had constant meetings on the subject. Besides shares, there was a good deal of cash expected on which we had a lien. The full extent of the depreciation in value of shares had not, I think, been ascertained in May or June 1866. At the final meeting I believe there was a careful valuation. We were expecting an improvement, I think, at that time, and the valuation of the shares was well considered. I should like to look at the minute. Additional securities for ten lakhs were taken. I believe the fall in the value of land and in shares was unprecedented. The great fall was in June 1866. The Commercial Directors know most about these things. We lent a good deal on them.

As to the loan to Mr. Crawford, I think I recorded an objection to it, and that Mr. Lushington did also. I am not a shareholder of the Bank of Bombay now. I believe the shares taken from the Asiatic Bank were taken at the price of the day. They were not then at a premium. I do not remember that there was any margin fixed at that time with respect to advances on shares. We left some margin, I think.

There is a report by an independent Committee appointed by Government in 1866 to value the assets of the Bank, and you will find that they took the shares held as security at their market value.

I never saw the byelaws for the guidance of the Secretary that I remember; they must have been a dead letter. I have seen in the Blue Book the letter of 30th June 1865 to Government, agreeing not to make any further advances on shares. I am not aware that it was ever infringed. The overdraft by the Asiatic Bank was allowed on a deposit of shares as collateral security. If I had known what had been done in 1865 I should, no doubt, have objected. I had not then seen the letter. I do not know whether a promissory note was given.

(*To Mr. Melvill.*)—I was not aware that there was a practice of allowing overdrafts to everybody during my time. We reprimanded Mr. Robertson for allowing it in Premchund's case.

I wish to call the attention of the Commission to the following Resolutions in the Minute Book as showing the action of the Government Directors on the 5th June 1866:—

"Read the following proposition brought forward by the Government Directors on the 31st May 1866, and which was circulated amongst the Directors with short minutes of that date.

"Looking to the critical state of matters in Bombay, and considering the numerous failures which are daily taking place, the Government Directors are of opinion that sufficient supervision cannot be exercised over the management of the Bank by ordinary weekly meetings. They therefore consider that a Sub-Committee, composed of the Directors for the week, should daily meet at the Bank, and then and there issue in writing such instructions to the Secretary as from time to time may seem necessary. These instructions to be produced at each Board Meeting with notes by the Secretary, showing what has been done in each case.

"Resolved, That the Directors for the week meet daily at the Bank at 12 o'clock for the transaction of business that may be brought before them.

"The Secretary reported that he had been appointed one of Mr. Cursetjee Furdoonjee's Trustees.

"The Board here desired the Secretary to record their opinion and instruction with reference to Section XXIX. of the Bank's Charter, that no Officer of the Bank is to accept any office or transact any business besides that of the Bank without the special authority of the Board, and that it be understood that whatever remuneration be paid for such extra work is to be the property of the Bank, and disposable by the Directors at pleasure.

"Moved by Mr. Chapman, that in future all orders of any importance contained in Circulars be entered on the Minute of the Bank's transactions, and recorded and read at the ensuing regular Meeting."

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Mr. Burjorjee Rustomjee.

BURJORJEE RUSTOMJEE, sworn.

I am a son of Rustomjee the cabinet-maker. On the 1st February 1865 I got a bill discounted at the Kalbadevi Branch of the Bank of Bombay for Rs. 5,00,000. Davidass Luckmeedass was a surety with me for that loan.

I had purchased two shares of the Elphinstone Land Company from Premchund. I paid him Rs. 40,000 in cash: I the balance out of the loan. He said he had made arrangements with the Branch, and I was to go there, and the five lakhs would be advanced upon my two shares and my Bombay Reclamation Company's shares.

I bought the Bombay Reclamation Company's shares some time before, at Rs. 43,000 premium per share. I do not remember whether from Premchund's father or from whom. I did not negociate the loan; it was done by Premchund. I borrowed the five lakhs because I owed Rs. 3,65,000 to Premchund for shares in the Elphinstone Land Company, which I had purchased from him.

My two shares of the Bombay Reclamation Company were held by the Presidency Bank as a pledge for Rs. 50,000; and as to the balance, that went to pay interest to the Bank of Bombay. Davidass Luckmeedass was my broker, and lent his name only.

I had other transactions with the Bank of Bombay. I borrowed Rs. 2,50,000 from them on shares in the Commercial Bank with Atmaram Madhowjee. It was renewed on my paying Rs. 30,000. I negociated that loan personally with Mr. Bullock. It was for the purpose of buying those Commercial Bank shares. I paid Premchund Rs. 3,65,000 for those two Elphinstone Land shares.

16 July 1868.

Mr. Burjorjee Rustomjee.

(*To Mr. Melvill.*)—I paid Rs. 25,000 to Davidass Luckmeedass on account of some share transactions. Premchund only received Rs. 3,65,000 out of the loan of five lakhs.

In August and September 1865, I wrote to Mr. Robertson to realise my securities, as he would recover ten annas in the Rupee. I repeatedly pressed this upon him verbally and in writing, but he would not realise. He said, "Who will pay the balance?" and I promised to do so when able. He did not give me any satisfactory reason for not selling my shares.

16 July 1868.

Mr. B. H. Cama.

16th July 1868.

BYRAMJEE HORMUSJEE CAMA, sworn.

I had a cash credit with the Bank of Bombay for Rs. 51,000, ending in a debit of Rs. 47,774. Another, commencing on the 12th December 1864, and ending in a debit of Rs. 98,260. A third, of Rs. 3,00,000, on the 30th January 1864, ending in June 1866 in a debit of Rs. 6,05,000. There was also a fixed loan on the 16th October 1864 for Rs. 7,00,000, and another on 9th February 1865 for Rs. 94,800. Another fixed loan on the 1st May 1865 for Rs. 1,25,000, and a bill in April 1865 for Rs. 1,00,000, and another on the 30th, making a total of Rs. 17,71,684, on which there has been a loss to the Bank of Rs. 10,20,900.

I obtained the cash credit of three lakhs on 30th January 1864, through Premchund's recommendation. It was for my general business. (Looks at a paper shown to him) (A 60). This is in his handwriting. I was allowed to overdraw up to Rs. 6,05,000 through Premchund's influence. He was employed as my broker, and I carried on joint shipments with him of cotton to Liverpool for a large amount.

I got the loan of Rs. 1,00,000 through one of my clerks. I never saw Mr. Blair, and I only saw Mr. Robertson for the first time after my suspension. I had great credit, and was carrying on an extensive business. The loan of seven lakhs was obtained through Premchund. I bought twenty-five Bombay Reclamation Company's shares from Premchund, and had paid him. The shares remained with Premchund. Afterwards he obtained the loan, and the shares were deposited with the Bank. I used the money in my general business. I have looked into my books to-day, and can say that none of the money went into Premchund's pocket.

The debit of Rs. 1,25,000 was the balance of a loan for Rs. 1,50,000, of which Rs. 25,000 had been paid off. This and other small loans were negociated by my clerk.

At my suspension I owed Premchund money; five lakhs first, and about two and a half lakhs afterwards. On the 31st October 1864 (the Dewallee) my account with Premchund appears from my books to have stood at Rs. 3,96,000 and upwards to his credit. At the end of 1864 Rs. 3,86,000 stood to his credit, and the same amount in February 1865. He was doing a large business with me as broker and joint shipper of cotton. He was particularly well acquainted with my transactions.

I failed in May 1865. In October 1864 my house was flourishing; until March 1865 I thought myself quite safe. I had shipments on my own account as well as with him. I had a large loss in Elphinstone Company's shares.

(*To Mr. Melvill.*) I heard of the resolution of the Directors of the Bank of Bombay of 12th April 1865 as to advancing money on security of shares at Messrs. Nicol and Company's office. I cannot say whether before or after the resolution was passed. I believe Mr. Maxwell, in Messrs. Nicol's office, told me. He said the Bank was going to take that step to relieve the public.

(*To Major Innes.*) I had obtained loans from the Bank before on shares, but it was only as an obligation to me that the Bank lent on twenty-five Bombay Reclamation Company's shares. It was not a usual proceeding.

20 July 1868.

Mr. Merwanjee Framjee.

20th July 1868.

MERWANJEE FRAMJEE PANDAY, sworn.

I was the Chairman of the Imperial Banking and Trading Company, which was registered on the 1st August 1864. The other Directors were Merwanjee Nusserwanjee Patell, Veerchund Deepchund, and Tulloghur Dullalgur.

The nominal capital of the Company was sixty lakhs, of which twelve lakhs were paid up. We had one general meeting of shareholders before the Company dissolved. This is the printed Report which was presented to the meeting at the end of 1865 (marked No. 1.)

The President reads from the Report as follows:—

"The Directors here beg to express their sense of grateful acknowledgment to Premchund Roychund, Esq., for the very valuable assistance invariably rendered by that gentleman, so as to afford great facilities in the management of the Company's affairs, and thus ensure great benefit to the shareholders."

Question.—To what assistance does the report here refer?

Answer.—We particularly referred in that paragraph to Premchund's giving good advice, to his buying and selling shares for us, and also to his recommending us for loans.

The Company obtained the following advances from the Bank of Bombay:—On the 8th December 1864 Rs. 5,00,000, which was paid off in March 1865; on 28th March 1865 Rs. 3,00,000, and on the 30th March 1865 Rs. 2,00,000. The last loan of two lakhs was reduced to one lakh by a payment, and renewed for one lakh. That was afterwards paid off, and the loan of three lakhs was reduced by a payment of Rs. 40,000 to Rs. 2,60,000.

We gave no security to the Bank for any of these loans. We compromised the last debt by a payment of eight annas in the Rupee, so that the loss to the Bank was Rs. 1,30,000.

The advance of five lakhs on the 8th December 1864 was taken for a joint purchase by the Imperial Banking and Trading Company and Premchund of sixty-two Bombay Reclamation Company's shares; an interest to the extent of one-third in that purchase was taken by our Company, and the remaining two-thirds by Premchund. He supplied the shares. Premchund managed the advance of five lakhs from the Bank of Bombay, and obtained also six lakhs from the Asiatic Bank. We paid the five lakhs borrowed from the Bank of Bombay to the credit of the Imperial Banking and Trading Company's account with the Asiatic Bank. I do not know that it was transferred there to his account on the same day.

Premchund sent word to me through Veerchund Deepchund; recommending the Company to buy one hundred Bombay Reclamation Company's shares. I replied that the Company had not sufficient money,

but I could buy to the extent of fifty shares if he would take an interest to the extent of two-thirds of the purchase. I wrote to him on the 22nd November 1864, and I produce a copy of my letter (marked N 2, and translated by the Interpreter to the Commission as follows:—"The message which you sent to me through Bhai Veerchund Saheb to the effect that I should buy fifty Back Bay shares for the present, on account of my Bank, out of which I am to have one-third share, and you are to have two-thirds, has been received. I will debit to your account the amount of your share, and the Imperial Banking and Trading Company's shares will be debited to the account of the company.")

Three or four days afterwards he came to my bungalow, and asked me whether I had bought the shares, and I replied "No, I looked to you to buy." He then referred to my note which he took out of his pocket, and said "Yes, it is so, I will buy them." I afterwards received from him this letter (marked N 3):—

"My dear Sett Merwanjee, I have got six lakhs from the Asiatic, and you shall have five from Mr. Blair, but I will send the receipt from him to you.

"Yours truly,

"6th December 1864. PREMCHUND R."

The promissory notes of the 28th and 30th March were renewals of the old loan of Rs. 5,00,000. The renewals were arranged partly by our Secretary and partly by Premchund. Loans were arranged by Premchund when the Company was in any difficulty.

On the 11th October 1865 we paid off Rs. 1,00,000 of the note for two lakhs, and it was renewed for the balance of Rs. 1,00,000, that left us owing four lakhs to the Bank of Bombay. We paid another lakh, and discharged the note for Rs. 1,00,000. Our final debt to the Bank was Rs. 2,60,000 for which we gave a promissory note on which the Bank obtained a judgment against the Company.

20 July 1868.

Mr. Merwanjee Framjee.

On the 18th April 1865 the Imperial Banking and Trading Company obtained from the Bank of Bombay another loan of Rs. 2,50,000 in the name of my Muccadum, Doongersey Gopajee. Ten Back Bay shares were deposited as security for that advance. On the 24th April 1865 we obtained another loan of two lakhs in the name of Dhunjeebhoy Pestonjee, my nephew, on security of ten Back Bay shares. We took those loans in the names of those persons because it was not creditable to the Imperial Banking and Trading Company to obtain loans on deposit of shares. The Company was in the habit of obtaining advances on its promissory note alone.

Both those loans were subsequently transferred into Premchund's account with the Bank of Bombay. Premchund owed the Imperial Banking and Trading Company about eight lakhs, and when the Company wanted money and pressed him to pay this debt and clear off his shares, those debts to the Bank of Bombay were transferred to him. The Bank accepted him. I do not know that Premchund gave a promissory note with Meyabhoy Premabhoy to the Bank of Bombay for Rs. 4,50,000. He took off our hands our liability to the Bank for the two sums of Rs. 2,50,000 and Rs. 2,00,000.

(*To Mr. Melvill.*) Those twenty shares were bought long before. I cannot say who arranged those two loans with the Bank of Bombay.

(*To President.*) I have never seen Mr. Blair. The two loans were obtained when the Bank was lending money on shares at fixed rates.

20th July 1868.

20 July 1868.

Mr. Merwanjee Framjee.

MERWANJEE FRAMJEE PANDAY recalled, after Jehangeer Rustomjee had been examined.

I do not remember that at any time the Company was in want of a loan of eight lakhs. Premchund might have asked Mr. Blair for eight lakhs for us.

He owed the Company that amount. Looks at a paper shewn to him (marked A 62). I cannot read this handwriting. I do not recollect that Premchund ever suggested that he would get a loan of eight lakhs from the Bank of Bombay for the Company.

20th July 1868.

20 July 1868.

Mr. Jehangeer Rustomjee.

JEHANGEER RUSTOMJEE MODY, sworn.

I was the Secretary of the Imperial Banking and Trading Company. I have heard the evidence given by the Chairman of the Company. I concur in all that he has said.

On the 20th October 1864 there was an advance of five lakhs to the Company by the Bank of Bombay. I applied by letter of the 18th October 1864 to the Secretary of the Bank. I produce his reply (marked N 4). I do not know who recommended that loan.

Looks at a letter shewn to him (marked A 61). I recognise Premchund's handwriting on this letter. These five lakhs were obtained for the general purposes of the Company. The debt was paid off on the 21st January 1865. The amount of the loan less the discount was lodged to the credit of the Company with the Asiatic Bank. About April and May 1865 the Company was often in want of money. I look at a paper shewn to me (marked A 62). The letter P makes me believe this to be Premchund's handwriting, but I cannot speak to it. I cannot recollect asking Premchund to obtain a loan of eight lakhs for the company. I see that the paper bears Mr. Blair's initials.

The first loan to the Company was made in September 1864. The money was borrowed for the general business of the Company, and was paid off on the 8th December 1864. It was a loan of one lakh for three months.

I look at another letter shown to me (marked A 63). It is in Premchund's handwriting. I do not know of any recommendation being given by Premchund for the loan of one lakh. I applied for it by a letter of the 5th September. No one recommended the Company for it. The sixty-two Bombay Reclamation Company's shares were all bought by Premchund—twenty-five on the 16th December 1864, twenty-five on the 23rd December 1864, and twelve on different dates.

On the 3rd February 1865 there was another loan for two lakhs in the names of Merwanjee Framjee and Company, and Veerchund Deepchund. That money was obtained for the purchase of shares. The principal business of the Imperial Banking and Trading Company was the purchase of shares. That loan was paid off. There was no other transaction which has not been mentioned by Merwanjee Framjee in his evidence.

20 July 1868.

Mr. Kursondass Madhowdass.

20th July 1868.

KURSONDASS MADHOWDASS, affirmed.

I am a Merchant. In August 1864 there were several loans granted to me by the Bank of Bombay. On the 24th August 1864 four lakhs were obtained in my own name. On the 29th August 1864 eight lakhs in the name of my partner Meyabhoy Premabhoy, and in the name of my partner Muggon Huttising eight lakhs, and on 26th September five lakhs in my own name.

No security was given for the loan of four lakhs; security was given for the three loans of eight lakhs, eight lakhs, and five lakhs. Eighty Back Bay shares were lodged with the Bank of Bombay on account of those loans. The loss to the Bank on my loans is Rs. 7,80,000.

Before I obtained the loan of four lakhs Premchund came to me and said that he was asked by the Bank of Bombay to get money invested, and asked me whether I would take a loan of three or four lakhs. He said "They do not know what to do with their money." I took four lakhs for three months. I gave a promissory note without security. As to the three loans amounting to twenty-one lakhs a proposal came to me through Veerchund Deepchund to buy Bombay Reclamation Company's shares on the joint account of Premabhoy Hemabhoy Premchund Roychund, and my firm.

My firm consisted of Meyabhoy Premabhoy, Muggon Huttising, and Veerchund Deepchund, besides myself. The proposal was to buy one hundred Back Bay shares at Rs. 24,000 or Rs. 25,000 premium. That was the ruling rate. The money was to be obtained from the Bank of Bombay as a fixed loan till the 1st July 1865 on security of the shares. I believe that the two loans of eight lakhs each were obtained by Meyabhoy Premabhoy and Muggon Huttising through Premchund's influence. The loan to me of five lakhs was negociated through Premchund with the Bank of Bombay.

Question.—Why were Premabhoy's and Premchund's names kept back?

Answer.—It never occurred to me that it was better to keep back their names. There was no reason for suppressing Premchund's name. He was a Director of the Bank at the time. The question of keeping back his name was never discussed between us. The eighty shares were deposited in the Bank. I bought them in the Bazaar through several brokers. Premchund was one of them. Fifty-three shares were bought from Premchund. Premabhoy Hemabhoy, Premchund Roychund, and my firm were the purchasers. Meyabhoy and Muggon were members of my firm, and their names were used. The eighty shares were lying in the Bank, and I sold fifty-two of them for Rs. 25,80,000 to Cursetjee Furdoonjee for delivery on the 1st July 1865, but they were never paid for.

The whole of the twenty-one lakhs was transferred by the Bank of Bombay in December 1864 as follows:—To Premabhoy Hemabhoy five lakhs, to Premchund Roychund nine lakhs, and to myself eleven lakhs. My share included my first loan of four lakhs.

The time bargain transaction with Cursetjee Furdoonjee not having been settled for at the due date, I represented to the Bank of Bombay the loss which I had incurred by the transaction not being carried out, and with a view to make the Bank safe and secure, and to reduce the liability which rested on my shoulders, as Premchund's position was undoubted (he was considered a man of immense wealth, and Premabhoy also was a wealthy man), I proposed that the loans should be transferred to the parties in the proportions in which they were beneficially interested. I wrote a letter to the Secretary, Mr. Robertson, and my proposal was acceded to by the Bank.

The Bank looked to my firm as liable for the two loans of eight lakhs each; I therefore wanted to shift some of the responsibility to Premchund and Premabhoy. I was only interested in the loans to the extent of nine lakhs, but my partners were liable for the rest; and I agreed to become responsible for eleven lakhs. I also gave further security to the Bank. The claim on Cursetjee Furdoonjee's estate was pledged to them, and the dividends on that claim are paid to the Bank. The Bank gained by the transfer. In December 1865 Premchund was looked upon as a millionaire, and the Bank obtained Premabhoy and Premchund as its debtors instead of Meyabhoy and Muggon, and Premabhoy alone gave securities costing him, as I know, twenty lakhs.

There were amongst them a number of shares in the Bombay and Bengal Steam Ship Company. In February 1866 his shares forming part of the original purchase of Back Bay shares were deposited, and he gave additional security. I have not been sued by the Bank. Premabhoy was. I was only sued as a security for the loan of twenty-five lakhs to Premchund, made in April 1866. The result of the suit was a compromise. My trustees were sued, not I. The Bank did not obtain much by the action.

The loss upon my transactions with the Bank, exclusive of that suretyship, has been Rs. 7,80,000. I failed on the 16th May 1866. Meyabhoy was a son of Premabhoy. He was twenty-five or thirty years of age. I do not know of his having joined Premchund in a note for Rs. 4,50,000 to the Bank of Bombay.

20 July 1868.

Mr. Dossabhoy Dhunjeebhoy.

20th July 1868.

DOSSABHOY DHUNJEEBHOY, sworn.

I was Premchund Roychund's Manager in 1864 and 1865. His account in the Asiatic Bank stood in my name. I had two advances from the Bank of Bombay; the first on the 27th May 1865 of Rs. 30,000, and on the 31st August in the same year a loan of Rs. 70,000. The loss to the Bank may have been Rs. 44,542 on those advances. For the first loan I was told by the Secretary that I must give approved security. The money was paid to me on the 27th May 1865. I believe the receipt for the deposit of shares was given to me on the 8th June by the Bank. To the best of my knowledge I deposited the securities before I received the money. I obtained the next loan on the 31st August 1865. I deposited the securities for it on the 8th September.

I believe I promised to deliver the shares in a day or two.

I do not know that it was the custom of the Bank to part with money without first having the securities deposited. For the last loan I asked Mr. Robertson to let me have the money to buy the shares with, on my promise to deposit the shares. He knew I was Premchund's Manager. I used to see Mr. Robertson every day. The money which I borrowed from the Bank was for my own business, not for Premchund's.

20th July 1868.

20 July 1868.

NAVULCHUD NANCHUND affirmed. *Mr. Navulchud Nanchund.*

I am an Exchange and Share Broker. I trade on my own account also. I am Premchund's brother-in-law. On the 13th April 1865 I obtained a loan from the Bank of Bombay of four lakhs. On the 24th of February 1865 I had a loan from the Bank of two lakhs, which was partly paid off, and renewed on the 5th June 1865 for the balance of Rs. 80,000.

No security was given for the loan of two lakhs. It was obtained on a promissory note. No security was given for the loan of four lakhs at the time, but subsequently security was given. I do not remember exactly when. I do not think I was applying for the renewal of the loan of two lakhs at the time I deposited security for the other loan. At the time when I applied for the four lakhs I offered to deposit two hundred shares of the Elphinstone Land and Press Company. I was expecting to receive those shares. I cannot remember that the deposit was not made till the 1st June.

(Looks at a paper shewn to him, being an acknowledgment by Messrs. Nicol and Company, the Managers of the Company, dated 13th April 1865, that witness was entitled to receive two hundred fully paid up share certificates to be delivered on the 18th April; marked A 64.)

I cannot say that I deposited this paper when I applied for the four lakhs. I went to the Secretary. I said that I wanted four lakhs, and would deposit my shares in the Elphinstone Land Company, which I expected to receive from Messrs. Nicol and Company. I was asked to draw a cheque on the Bank of Bombay for four lakhs. I accordingly drew a cheque for that amount in favour of Messrs. Nicol and Company, and the Bank of Bombay paid the amount of that cheque to them for the Elphinstone Company. At that time the shares would have realised from six and a half to seven lakhs. The loss on these loans may be Rs. 3,88,932.

Question.—How did you obtain these large loans?

Answer.—I was a broker and in the habit of frequenting all the Banks.

I do not remember asking Premchund to use his influence to obtain the loans for me. Perhaps I did have a conversation about it with him, but I cannot remember it. I certainly did obtain loans from the Bank for six lakhs without security, but I promised to lodge security, and I did so when I obtained the renewal for Rs. 80,000. I do not think I experienced any difficulty, although I owed four lakhs. I was told to make a payment on account and to renew the rest.

I believe the amount will appear in Nicol and Company's books. They are the Managers of the Elphinstone Land and Press Company. I bought a large number of shares at the auction sale of Elphinstone Land and Press Company's shares, and paid money as the share certificates were ready. I bought the shares for myself and Cumulsee Premjee, but they stood in my name in the Elphinstone Land and Press Company's books. Cumulsee is a broker.

20th July 1868.

, 20 July 1868.

JAIVERLALL UMIASHUNKER, affirmed. *Mr. Jaiverlall Umiashunker.*

I was Secretary to the Kattiawar Trading Company, also to the Broach Cotton Mill. A loan of one lakh was granted by the Bank on the 6th March 1864 for two months at fifteen per cent. to the Kattiawar Trading Company. I did not give any security for that loan. Rs. 25,000 were paid on the 9th May, and the loan renewed for three months for Rs. 75,000 at thirteen per cent. There was no security given on that renewal. That note fell due in August 1864, and was renewed. It was reduced by a payment of Rs. 19,000 arising from the sale of a Back Bay share, which made the debit Rs. 56,600. Two Back Bay shares were deposited I believe on the 15th August 1864.

The Directors of the Kattiawar Trading Company were Bharmull Purbhutt Veerchund Deepchund, Jugjeewandass Hemjee, Gopallrow Bulwunt, and Tullockchund Hookumchund. I believe that no Official of the Bank of Bombay was a shareholder in the Company. I believe the Company obtained its advances from the Bank of Bombay through the influence of Premchund Roychund.

On the 13th December 1864 the Company had a loan of Rs. 50,000 from the Bank, which was repaid on the 6th March 1865. I do not know who recommended the Company to the Bank.

This letter shewn to me (marked A 65) has Premchund's writing across it, and it appears that he recommended the Company for the loan. The Directors were well known to him, and I believe they must have obtained the other loan through him.

I obtained three loans from the Bank in my own name:—

On 12th April 1865 - -	Rs.	50,000
On the 20th April 1865 -	,,	80,500
And on the 27th April 1865	,,	94,500
Making altogether - -	Rs.	2,25,000

on which the Bank of Bombay has sustained a loss of Rs. 1,45,290. I gave no security for the loan of Rs. 50,000. Two hundred and thirty Asiatic Bank shares were deposited for the loan of Rs. 80,500. I do not know on what day. That loan and the loan for Rs. 94,500 were granted on security of shares.

President.—On the 30th May you deposited securities; were not the loans granted without security?

Answer.—I promised to give security, and I deposited the shares on the 30th May following. I had a previous loan of one lakh from the Bank on the 19th December 1864, which I paid off.

I do not remember having applied to anyone to recommend me to the Bank of Bombay. I know Premchund well. I do not remember asking him to recommend me to the Bank for these loans. He may have done so. I made a payment of Rs. 5,000 on the 17th July 1865, and some other payments, reducing the debt to Rs. 2,10,000, for which a new note was given on 4th December 1865. There has been a loss to the Bank of Rs. 1,45,290. As further security for this loan I made over two Back Bay shares in August 1865, and the title deeds of my property in Portuguese Church Street, worth Rs. 80,000, and three months further time was given.

After September 1865 a reaction in the value of shares took place. Asiatic Bank shares went up to sixty per cent. premium, and I urged the Secretary to sell and pay off the debt. It would have realised the Bank debt and left me a surplus. Mr. Robertson expected a further rise, and he did not realise the securities. I made subsequent payments, and reduced the loan of Rs. 2,10,000 to Rs. 1,45,290. I protested against the usurious rate of interest, and begged for a reduction to a moderate rate.

The loan of Rs. 1,00,000 to the Kattiawar Trading Company, was for the purchase of two Back Bay shares. They were bought from different Brokers. My loans from the Bank of Bombay were obtained for the purchase of Back Bay shares. The purchase was a joint transaction with Premchund Roychund and Veerchund Deepchund. We raised a loan of five lakhs from the Asiatic Bank for the same purpose. The first transaction I had with the Bank I settled at the due date, and I cannot recollect that Premchund Roychund recommended me for the subsequent ones.

22 July 1868.

22nd July 1868.

Mr. Sorabjee Jamsetjee Jejeebhoy.

SORABJEE JAMSETJEE JEJEEBHOY, examined without oath at Bandora.

I obtained a cash credit of five lakhs from the Bank on the 14th July 1864. I had a Bill discounted on the 17th July 1865 for Rs. 1,75,000, and another on the 22nd July for Rs. 1,00,000, making a total in my name of Rs, 7,75,000.

For the first loan of five lakhs I gave no security. I merely signed a promissory note. The advance was negociated by Premchund Roychund for me; I did not request him to do so. He came to me one day in July 1864 at my bungalow on Malabar Hill, and asked me if I had any Bombay Reclamation Company's shares. I said, "No." He told me to apply for them to Mr. Cowasjee Jehangeer. I wrote a note to Cowasjee Jehangeer. He said in reply that all the shares he had were distributed amongst his friends, and that there were no more remaining with him to give me.

Next day Premchund called on me and asked whether I had received a favourable reply from Cowasjee. I said "No," and produced Cowasjee's note. He read it and said it was all bosh. Afterwards he recommended me to apply for them to the then Honourable Mr. Scott. I wrote a note to Mr. Scott. He was just leaving for Poona, and he sent me "Salaam." I heard no more from him. Premchund again called on me to know whether I had received any shares from Mr. Scott. I replied in the negative. He said, "Never mind, I will manage all that for you," and told me to give him a commission to purchase for me as many shares as I wished. I told him that I was short of money, and I could do no more than purchase a few shares. Premchund thereupon said "Take my word, Sorabjee, and do not trouble yourself about money. I will get you as much money as you require. But do not go in for less than one hundred shares." I expressed surprise at his proposal, seeing that I was unable to pay for all these shares. He told me that he could procure ten lakhs of Rupees in a twinkling. I agreed to it, and asked how he could manage it. He said he would get the money from the Asiatic and the Bombay Banks. The next day or the day after that, he sent me two notes, one addressed to Mr. Morrison, the Manager of the Asiatic Bank, and one to Mr. Blair. In the latter he wrote—"My dear Mr. Blair, could you accommodate Sorabjee with five lakhs?" The letter to Mr. Morrison was of the same purport. On the other side of the two chits (notes) he had got replies from Mr. Blair and Mr. Morrison, saying they would give the money with pleasure.

Next day he called on me at my office, and asked me if I was able now to go in for shares. I said "No, not the hundred," and gave him a commission for forty-three shares only. Ten lakhs were not sufficient for the purchase money of forty-three shares, so Premchund asked me to send in some money to the Banks to my credit. I accordingly did so. It was about Rs. 60,000 (referring to his books), Rs. 26,500 to the Bank of Bombay, and Rs. 40,000 to the Asiatic. On the 14th July he came to me personally for the cheques, and asked me to hand them over to him. I accordingly did so. I cannot remember whether I ever signed a promissory note. Cash credits had been opened in my name. I think that was all. I gave Premchund cheques for the whole amount out of both Banks.

Two or three days after that, I asked him for the share certificates. He said he would send them in a day or so. A few days after he sent me allotment certificates of forty-three shares, standing in the names of Premchund himself, his father Roychund, Navalchund his brother-in-law, Heerjee Jehangeer, brother of Cowasjee Jehangeer, and Mr. Cassels, accompanied with a note from him (Premchund) to me. I produce the note (marked O).

"MY DEAR SETT SORABJEE,

"I herewith send you 43 shares, and I will get them all transferred from these names to yours when I come back from Poonah on Tuesday. This I send you in case anything happens to me.

"Yours sincerely,

"15th July 1864. PREMCHUND R."

I was rather at a loss to account for shares belonging to Premchund, his father, and brother-in-law, and other Directors of the Bombay Reclamation Company being for sale. I therefore wrote a note to a friend of mine in the Direction (Mr. Cassels), asking his advice as to whether it was a profitable concern to invest money in, and giving as my reason for asking, that I was astonished at finding from the share certificates which Mr. Premchund had delivered to me, that some of the shares were in the names of parties whose shares I should not have expected to be in the Bazaar. The reply I received was that it was a good concern to invest money in, and that at the end of a year there would be a vast profit. With regard to the shares of the Directors I got the reply that they belonged to their up-country friends, and that they wished them to be sold. This satisfied me. Premchund afterwards got the shares transferred to my name.

The Bill of Rs. 1,75,000, dated the 17th July 1865, was a renewal. I had obtained three lakhs on a promissory note on the 9th December 1864. I gave no security. I negociated that loan myself. I forget whether it was with Mr. Blair or Mr. Robertson. I think Mr. Blair. He said I could have the money. I went to him myself. I got no one to recommend me. I was buying cotton, for which I wanted money. The money went to one Gopall Mhyral for the cotton. Subsequently, on the 8th March 1865, I paid one lakh and got a renewal for two lakhs, which I reduced to Rs. 1,75,000 on the 13th June following by a payment of Rs. 25,000 from my Current Deposit Account. The debt of Rs. 1,75,000 was allowed to stand over till the 17th July 1865, when, being in difficulties, I got my brother Rustomjee to arrange my affairs with the Bank. I do not know what securities were deposited by him for the debt. On the date of the third loan for one lakh I was laid up with sickness, and do not know how the loan was obtained.

I was indebted to the Elphinstone Financial Company for one lakh just before I made over my accounts to Rustomjee. He had to pay one lakh on my account to the Elphinstone Financial Company, and he got the debt transferred to the Bombay Bank. I think the Bombay Bank had an account with the Elphinstone Financial Company, and they arranged it between them. I owed the Elphinstone Financial Company one lakh, and they owed the Bombay Bank one lakh, and they induced the Bank to allow my debt to be substituted for their own. It was all done through Rustomjee, who guaranteed the debt. I did not commence trading till 1863, when I began to trade with Premabhaee Hemabhaee. I had never meddled with shares until the occasion to which I have referred. Besides the transfer of the one lakh from the Elphinstone Financial Company, Rustomjee got two lakhs which I owed to the Asiatic Bank transferred to the Bombay Bank. Why I do not know.

24 July 1868.

24th July 1868.

Mr. Bomanjee Cursetjee Cama.

BOMANJEE CURSETJEE CAMA, sworn.

I had three transactions with the Bank of Bombay. First a cash credit on the 9th October 1863 for Rs. 2,00,000, for which I gave a promissory note without security. I had also a bill discounted jointly

with Pestonjee Cursetjee Shroff on the 14th February 1865 for Rs. 1,00,000, and on the 27th April 1865 a Bill in my own name was discounted for Rs. 2,00,000. I do not know that the loss on the transaction with Pestonjee Cursetjee Shroff amounts to Rs. 99,610, or that the loss in respect of the two other loans amounts to Rs. 2,91,350.

As to the cash credit in October 1863 Pestonjee Cursetjee Shroff informed me that the Bank of Bombay was granting cash credits on promissory notes, and procured the credit for me. I believe it was not generally known that the Bank was granting such cash credits. I did not know it at least. I do not know where Pestonjee Cursetjee obtained the information. I believe Pestonjee Cursetjee negociated the loan with the Manager of the Bank, but I do not know it with certainty. I do not know that anyone recommended me to the Bank for the loan. Pestonjee Cursetjee received the money. I do not know to what purpose the money was applied; it was borrowed for him for a few days. He said he could not get the credit in his own name, and therefore he would use mine. I believe when the time of the credit expired I asked Pestonjee Cursetjee to pay the amount, and to the best of my recollection he paid it off by several payments. I was not further troubled about it. I never heard of it again until the present time. I do not know whether Pestonjee Cursetjee was on intimate terms with the Bank officials. I have never heard till now that any portion of that advance is due, and never had a letter from Mr. Blair or Mr. Robertson about it.

As to the Bill for Rs. 1,00,000, that money was obtained for the use of Pestonjee Cursetjee Shroff himself. He was a great friend of mine. I signed merely to accommodate him. He is not in Bombay now. I hear that he is in the Guicowar's territory. He has never paid anything to me on account of these liabilities.

24 July 1868.

Mr. Bomanjee Cursetjee Cama.

The Rs. 2,00,000 borrowed on the 27th April 1865 were secured by a deposit of the certificates of six hundred shares of the Commercial Bank. It was transacted by Pestonjee Cursetjee, and was for his benefit, and I do not know the particulars about it. I cannot explain why the money was paid on the 27th April, and the share certificates not deposited till the 30th May following. I was very friendly with him, and therefore lent him my name for these large loans. I do not know how he employed the money. At that time he was in a position to pay off those loans, and I did not consider it necessary to inquire about them.

I applied for the last loan of 27th April 1865 at Pestonjee Cursetjee's request. (Looks at a letter shewn to him marked A 66.) This signature, which purports to be mine, is not mine, and the letter was not written by me. I believe that Pestonjee Cursetjee cannot write English. This writing across the letter I believe to be Premchund's from the signature. I never applied to the Bank of Bombay for five lakhs.

On the 24th April 1865 I did not hold one thousand three hundred and fifty Commercial Bank shares. I had not any shares in that Bank. I mean I had no interest in any. Some may have stood in my name. I never authorized Pestonjee Cursetjee to use my name in applications to the Bank even for a pie. The shares deposited with the Bank belonged to Pestonjee Cursetjee Shroff. He had the whole of the money which was obtained from the Bank of Bombay by loans, in which my name appears.

Pestonjee Cursetjee Shroff said he had negociated the loan for two lakhs. He brought the bill and asked for my signature. When the subsequent loans were obtained he assured me he had paid off the first loan for two lakhs. I never went to the Bank to inquire whether he had done so.

24th July 1868.

24 July 1868.

Mr. Macfarlane.

JOHN MACFARLANE, sworn.

I am a Solicitor practising in Bombay.

There were four bills with the Bank of Bombay to which my name was attached. The first dated 23rd June 1864 jointly with Merwanjee Nasserwanjee for Rs. 15,000, the second on the 15th July 1864 jointly with Mr. Brown for Rs. 30,000. Another on the 18th February 1865 jointly with Framjee Ardaseer Davur for Rs. 30,000, and the last on the 21st April 1865 with Mr. Brice and others for one lakh. No security was taken by the Bank for any of these advances.

The loan to me and Merwanjee Nasserwanjee was for an Oil Pressing Company, which was being wound up. Merwanjee was one of the Directors of it, and he asked me to join him as the Bank required two names. The Bank claimed against the Company, and not against my estate.

The advance to me and to Mr. Brown was obtained by him either from Mr. Blair or Mr. Robertson. I believe I heard of no difficulty in obtaining it. We were not asked for security. We divided the money between us. I do not recollect what I did with the money which I received. I cannot say whether I purchased shares with it.

I obtained the loan to myself and Framjee Ardaseer. I saw either Mr. Blair or Mr. Robertson. No difficulty was raised. I do not recollect any remark being made about outstanding advances. The former bills had been renewed. Rupees 10,000 had been paid on the loan with Mr. Brown. We were asked to pay something.

The money borrowed with Framjee Ardaseer was taken to buy shares with. He almost invariably bought the shares. He was in the habit of seeing Brokers. I only obtained the money. I believe Framjee Ardaseer is in Bombay.

The loan to me, Mr. Brice, Mr. Taylor, and Nowrojee Ardaseer Davur was obtained, I believe, by Mr. Brice. He saw the Manager of the Bank, I believe. I did not hear of any difficulty about obtaining the advance, although we were all under advances to the Bank at the time. Mr. Brice said he had arranged the loan, and we had only to sign the note. It was for the purchase of land. I believe the Bank Manager was told the purpose for which the money was wanted.

I signed Mr. Brown's release. I did not attend the meeting of his creditors.

Question.—As a Solicitor and a man of business, I suppose you looked through the deed before you signed it?

Answer.—I looked over the deed, and knew the purport of it. I did not care much about it. I scarcely regarded myself as a creditor. The only transaction I had with him was the joint note for Rs. 30,000 to the Bank of Bombay.

Question.—Can you account for the recitals in the Deed that Mr. Brown had become indebted in the course of his business as a Broker to the creditors named in the Schedule, and that their debts are mentioned in the Schedule, no Schedule of debts appearing in fact in the Deed?

Answer.—I cannot explain why there is no Schedule of Debts appended to the Deed. I had very little interest in the matter. His debts were not contracted in his business as a Broker. I believe the Deed was prepared in the office of the late Mr. Crawford.

I had a transaction with Mr. A. Morrison of the Asiatic Bank in Back Bay shares. I had no knowledge till yesterday that Mr. Tracey had any connexion with it. Mr. Brown transacted the purchase as a Broker for me. The purchase was made about October or November 1864. I supposed I had bought six Back Bay shares from Mr. A. Morrison. I had no idea that Mr. Tracey had anything to do with it, till I heard it from Mr. Chauntrell yesterday.

24 July 1868. *Mr. Macfarlane.*

I believed at first I was dealing with Mr. Morrison individually. Afterwards I was told it was with the Asiatic Bank. I was not aware that the dividend on my estate had been credited to Mr. Tracey. I cannot give any reasons for the concealment of Mr. Tracey's name. I am not a shareholder in the Bank of Bombay.

24th July 1868.

24 July 1868. *Mr. Bhow Dajee.*

BHOW DAJEE, affirmed.

I am a medical practitioner in Bombay. I am not a trader in any way. I obtained the following advances from the Bank of Bombay. On the 16th November 1864 Rs. 30,000, and on the 20th December 1864 Rs. 30,000. These were from the Head Office, and resulted in a loss to the Bank of Rs. 60,000. At the Kalbadevi Branch of the Bank I obtained Rs. 50,000 on the 25th January 1865, and on the 16th February 1865 a sum of Rs. 25,000. I gave no security for any of these loans. I only signed promissory notes. I obtained the two discounts of Rs. 30,000 each myself. I had been dealing with the Bank for six months at that time, and had paid off former advances.

I was introduced to the Bank by Premchund Roychund. My brother, who is also a medical practitioner, chiefly attended him and his family. I did also. I was not asked any questions about the use I intended to make of the money. I used the money in buying shares. I bought them in the bazaar through different Brokers. Most of them were allotment certificates blank endorsed. I cannot say from whom I bought. I did not buy from Premchund Roychund. On the 25th January 1865 I obtained the first loan at the Kalbadevi Branch for Rs. 50,000.

Question.—Did you not first apply at the Head Office for Rs. 50,000?

Answer.—No.

President.—Is it not the fact that you applied at the Head Office and were refused?

Answer.—No, I do not remember it.

Question.—How did you happen to go to the Kalbadevi Branch?

Answer.—I was recommended by Premchund to go there and apply. He told me that he had arranged the loan there, and that if I went I should get it. I had previously applied to Premchund Roychund to assist me himself. He afterwards told me I could go to the Kalbadevi Branch. I went there and saw Mr. Bullock the Agent. I told him I was recommended by Premchund to see him, and that I wanted a loan of Rs. 50,000. I think I did not tell him that I owed Rs. 60,000 at the Head Office. He did not inquire whether I owed any money at the Head Office. He did not ask why I had come there, instead of applying to the Head Office. There was no difficulty made about the advance. It had been arranged by Premchund. I got the money in a few minutes.

The money was obtained for speculation and to pay margin money. There were a large number of shares which I had mortgaged. I had to pay money to Kokul Futtechund, and I think I had to pay margin money to the Indian Peninsular Bank. Premchund gave me some money about that date, Rs. 28,000 on account of some Back Bay shares, which he had bought and sold for me at some profit. It was a voluntary offer of his to do it. The Rs. 50,000 were not borrowed to enable me to pay him, not a Rupee of it went to him.

I was surety for my brother on account of the loan from the Bank of Bombay for Rs. 25,000 He deposited some Back Bay shares to secure it. I did not know how he obtained the money. I did not see Mr. Bullock about obtaining that loan. I do not know what recommendation was given. I do not know when the shares were lodged. I have only been told by my brother that he deposited shares.

Question.—Should you not be surprised to learn that no shares were lodged till the 21st April 1865?

Answer.—It may be so. I cannot give any information about it. The Bank of Bombay signed my trust deed. I am quite sure that I did not first apply at the Head Office for the loan of Rs. 50,000 before going to the Kalbadevi Branch.

24th July 1868.

24 July 1868. *Mr. Sorabjee Byramjee Colah.*

SORABJEE BYRAMJEE COLAH, sworn.

There are two bills to the Bank of Bombay outstanding against me in the names of myself and Cursondass Mathuradass. He was my book-keeper. The Bank of Bombay required two names, therefore I put my servant in as surety. I cannot say whether that is the usual way of meeting the Bank's requisition for two names.

There were two loans. On the 6th January 1865 a bill was discounted for Rs. 50,000, and another for the same amount on the 1st March 1865. The loss on those advances may be Rs. 87,866. There were previous advances made to me, one with Mr. De Quadros of Rs. 40,000, and another sum of Rs. 50,000. These have been paid off. There was not any loan of one lakh. I remember sending in this slip for discount (marked A 67). I saw Mr. Blair about the first advance for Rs. 50,000. I do not know whom he consulted. I went another day and he told me I could have it. I was known to Premchund. I did not ask him to get me the money. I am not aware of his having recommended me. I obtained the second advance of Rs. 50,000 from Mr. Blair or Mr. Robertson. I went myself. The Rs. 90,000 had been paid off, and think I had paid Rs. 50,000 on a renewal of the first bill for Rs. 50,000. No security was asked for. I had no difficulty. I paid away the first Rs. 50,000 to some Banks. I paid the second sum of Rs. 50,000 into my account with the Commercial Bank.

24th July 1868.

24 July 1868. *Mr. Caundass Narrondass.*

CAUNDASS NARRONDASS, affirmed.

I am a general merchant. I know nothing of a loan of three lakhs from the Bank of Bombay in my name in May 1865. This letter shown to me is in Premchund's handwriting (A 68). I produce my cash book. There is no such entry in it. If I owed the money to Premchund there would be an entry of the amount in his account. I look at his account, there is no such entry in it. I do not remember any such transaction. I have lost my memory. Premchund used to transact all my business on my behalf.

President.—Has it been paid off?

Answer.—That may be, but my books have no record of the transaction.

My first loan from the Bank was two lakhs on the 27th September 1865. No security was given when the loan was granted. This loan was negociated by Premchund. So were all my loans. Out of these two lakhs I paid one lakh to the Brokers' Bank, and Rs. 96,800 to the Commercial Bank to my own account. I had confidence in Premchund, and friendship for

many years with him, and therefore allowed him to manage my affairs. I paid him no commission. In many of my transactions he was interested as a partner to the extent of one-half. Those joint transactions came down to my failure, which took place on the 29th September 1866. I cannot say from memory when they commenced. I believe the first joint transaction took place fifteen years ago; they were going on for the last fourteen years before my failure.

Question.—I suppose that was the reason why you signed as a surety on the note for twenty-five lakhs advanced to him?

Answer.—Yes.

The joint transactions between us were numerous. I at first declined to become security for the twenty-five lakhs. He then assured me that he had given security to the Bank to the value of thirty-nine lakhs in the shape of jewellery and landed property, and that his father and Kursondass Madhowdass were also sureties for the amount, and that I need not therefore be afraid. I have not paid any part of that loan to the Bank, and I did not receive any part of the amount.

When the twenty-five lakhs fell due to the Bank, I wrote to Premchund and received this letter from him (exhibit marked P). I had become security for him to the extent of eleven lakhs to other Banks. He was interested with me in shipments of cotton to the extent of twenty-eight thousand bales, and in share transactions on which there is a loss of seventeen lakhs. (Looks at his Schedule, produced by the Official Assignee.) I have not represented here that I owe the Bank of Bombay five lakhs. The debt is entered as Rs. 2,55,717–12–0 exclusive of my security for the twenty-five lakhs.

24 July 1868.

Mr. Caundass Narrondass.

I received from the Bank on 7th June 1866 Rs. 82,254–4–8, and paid for hoondies drawn on account of my joint cotton transactions with Premchund. The hoondies were drawn on me by Premchund's Agents in the Mofussil. This sum was overdrawn, or drawn from my current deposit account with the Bank. On 22nd May 1866 Rs. 40,000 were drawn by me from the Bank of Bombay. Another sum of Rs. 40,000 was drawn by me on 23rd May 1866; that was for the same purpose. Premchund's branch houses in the Mofussil drew on me for that sum. There was also a promissory note of the 19th April 1866 for Rs. 1,00,000, which fell due in 1866. That was chiefly to pay hoondies also drawn by Premchund's branch houses in the Mofussil—making a total of Rs. 2,62,254–4–0, out of which I paid on

28th May 1866 -	Rs.	3,100	0	0
and I debited on 17th September 1866 to the Bank, proceeds of silks sold by the Bank on my account -	Rs.	3,436	9	0
			6,536	9	0
Leaving a Balance due of -	Rs.	2,55,717	12	0

I obtained a loan of Rs. 1,00,000 from the Bank through Premchund, as well as the permission to overdraw for the other amounts.

24th July 1868.

24 July 1868.

Mr. Mahomed Cassum.

MAHOMED CASSUM, affirmed.

There is a discount outstanding by the Bank of Bombay against Cassumbhoy Nathoobhoy, Sons, and Company, of the 27th May 1865 for Rs. 1,50,000. My brother, who is dead, managed the firm's business. There was a promissory note for Rs. 1,25,000 on the 26th November 1864. I believe my book-keeper can speak to these transactions.

24th July 1868.

24 July 1868.

Mr. Govindjee Kessowjee.

GOVINDJEE KESSOWJEE, affirmed.

I am a book-keeper of Mahomed Cassum, the last witness. The firm of Cassumbhoy, Nathoobhoy, Sons, and Company discounted a bill for Rs. 1,50,000 on the 27th May 1865 with the Bank of Bombay.

There was a payment made on account of that debt. There was a previous loan. The firm had transactions with the Bank of Bombay for several years.

No security was given for the loan of Rs. 1,50,000. I do not know by whose influence it was obtained. My master has been interested in the firm since 1859.

His two eldest brothers conducted the affairs.

The money was obtained for their business. I do not know whether it was used in buying shares in Joint Stock Companies.

24th July 1868.

24 July 1868.

Mr. Bullock.

WILLIAM BULLOCK, sworn.

I was Manager of the Kalbadevi Branch of the Bank of Bombay. I was appointed about May 1864. I received no instructions from the Secretary or Directors. I had a simple letter of appointment. Nothing was said as to the way in which I was to ascertain the credit of parties applying for loans or discounts, or as to what credit was to be given.

There was an Inspector of Branches. I am unable to say how often it was his duty to visit the Branches. Mr. Watson, who was then Inspector, never inspected my Branch during the year 1864. He afterwards became Manager of the Eastern Financial Association. During 1865 no inspection whatever of my Branch took place. Mr. Fraser came upon one occasion in 1866, partly to relieve me whilst I was in attendance on the Directors at the Head Office, and I believe he then inspected the Kalbadevi Branch. Up to that time I had no consultation whatever with the Directors as a body. I think in May or July 1866 I first communicated with them as a body. I was in constant communication with the Secretary; first with Mr. Blair, afterwards with Mr. Robertson. I had verbal instructions only. They did not refer me to any written instructions applicable to all the Branches. I carried on the Branch in the same way as the Head Office was carried on.

Question.—Suppose a bill brought to you for discount, what did you do?

Answer.—If it was a discount for a person whom I knew, I discounted it without reference to anyone. I do not say to any limit, but there was no limit except my own discretion. Both fixed loans and cash credits were granted at the Branch, but I never gave a cash credit except on Government paper, and I never had an overdrawn account.

I believe I made one written report only to the Head Office during the whole time of my management. I had no discount list furnished to me to show to what extent I might discount bills. Very frequently, and especially when Mr. Premchund became a Director of the Bank, I referred to him. Some time before he became a Director of the Bank on the occasion of my seeing Mr. Blair with regard to business offering at the Branch Bank, he told me that

24 July 1868.

Mr. Bullock.

none of the Agents at the other Branches had any instructions, but that I might in cases of doubt refer to Mr. Premchund. I acted to some extent on that advice given me by Mr. Blair. Where I thought more reliable information could be obtained, I made use of it. I frequently referred to Shroffs in the bazaar. We frequently purchased hoondies, and I considered that Premchund would not be so good an authority as many of the Marwaree Shroffs. I cannot say that I remember any instructions from Mr. Robertson confirming Mr. Blair's. The business came to an end about June 1865, and all we did was to recover debts. I never saw Mr. Fraser's report.

President reads from Board Minutes of 4th September 1866 extract from Mr. Fraser's Report—"As regards business of the nature of discounts, &c., offered to the Branch, were the usual precautions in such cases adopted, and all applications for accommodation submitted daily to the Directors for disposal, no risks beyond those of ordinary banking would result. Unfortunately hitherto, through influence which has since become known to the Directors, business of this nature has been undertaken without reference to Head Office, and regardless whether the applicants had previously contracted obligations there or not."

It is extremely likely he refers to Premchund having passed loans at the Branch. Mr. Fraser was in possession of all the facts. Long previously to that I had been called on to explain on what security certain loans had been granted. I replied that they had been granted after a reference to Premchund, and the reply of the Board was that they were glad to learn that I had referred to Premchund before granting the loans. I am referring to loans which were particularised in a letter to me. I do not refer to loans to Atmaram Madhowjee and Mr. Brice. With regard to a particular class of business done, no doubt Premchund was the governing authority at the Kalbadevi Branch.

Question.—Can you mention any instance in which Premchund's authority has been used prejudicially to the Bank's interests?

Answer.—An answer to that would be a list of nearly all the bills outstanding.

Question.—Did then all the bills discounted under his advice end in loss to the Bank?

Answer.—Very nearly so. I remember Bhow Dajee applying to me. I believe in the first instance Dr. Bhow Dajee came to me himself and I told him I could not give him a reply then.

Question.—Were you not in the habit of asking applicants whether they had anything outstanding at the Head Office?

Answer.—I did not at that time. I think I ought to have done so, and I did so afterwards, but unfortunately I did not do so then. I did not ask Bhow Dajee whether he had anything outstanding at the Head Office. Next day I met Premchund, and he told me what I had already ascertained, that Bhow Dajee was a man of considerable means, that he owned the house in which he lived, and I believe it was added that he wanted money for building operations, and Premchund said it was perfectly safe, and the loan was granted. On the 16th February 1865 there was an advance to Bhow Dajee's brother on shares. I am unable to state what the loss has been on those transactions.

Question.—What was your habit as to taking security? What were your instructions about it from Mr. Blair?

Answer.—I had no instructions from him from first to last. When the Branch was opened I tried to extract instructions from him, but never could get anything more from him than a direction to follow Premchund's advice. Mr. Blair, in matters of business, was a most inaccessible man. It was not easy to confer with him. He was not a man of much judgment, and had little to communicate to others. I cannot say that no Branch Manager ever received any instructions. The result of the entire business at the Kalbadevi Branch was not unsatisfactory. I consider the loss small compared with the amount of business done. The loss was estimated at fifteen lakhs, but whilst the Bank paid no dividend, the Kalbadevi Branch earned two lakhs of profit.

President.—Not exactly so. I think Rs. 15,28,000 were written off in February 1867, and that there is a further estimated loss of Rs. 3,72,000, which gives a total of Rupees 19,00,000.

I have had no control over the affairs of the Bank since April or May 1866. I was very little engaged in speculation. I bought shares in the Elphinstone Land and Press Company, and in the Commercial Bank. As far as I remember I only applied for allotments in the Old Financial, and in the China Bank, and obtained allotments in them. I used no influence of any kind. I sent in an application like any ordinary applicant.

I wanted money in 1865, and borrowed it from the Asiatic Bank. I did not borrow from anyone else, I think, in 1865. I did borrow money once jointly with Roychund Deepchund; that was in 1866. I applied to the Asiatic Bank for a loan. I was still the Agent of the Branch at that time. I applied for Rs. 7,000 on security of shares, Elphinstone Company's and Old Financial shares. The Asiatic Bank required a second name as a matter of form, although they took security, and I asked Roychund Deepchund to lend his name. He was quite ready to do so. If I had the same experience to go through again I would not do it. I had been acquainted with Roychund Deepchund for nine or ten years. I believe I had one other transaction in which I owed money to Roychund Deepchund. A balance of Rs. 500 remained owing for shares which he had purchased for me. I paid him, but I believe he claims a balance against me. It might have been three or four months before May 1866 when the Commercial Bank failed. I never received any money from Premchund, nor any favour from him. I never had a transaction with Premchund in my life. I never bought a share from him and never received a share from him, or any favour whatever. I have seen these rules (marked A 69) which were circulated when the first Branches of the Bank were first opened in 1862, I believe. No copy of these rules was ever given to me. I must have seen them before. I had been employed in the Bank before I became Agent of the Branch. The Rules refer chiefly to matters of account. There is a Rule that the Agent is at liberty to discount up to Rupees . The blank space for defining the amount was never, I believe, filled up.

To Mr. Melvill.—Mr. Blair told me to consult Premchund before he became a Director of the Bank.

27th July 1868.

27 July 1868.

Hon. Mr. Brown.

The Honourable ALEXANDER BROWN, sworn.

I am a partner in the firm of Nicol and Company, Merchants, and a Member of the Legislative Council, Bombay. I was a Director of the Bank of Bombay. I was elected on the 30th March 1865, and first sat at the Board on the 6th April 1865. I resigned in the beginning of December 1865. I was re-elected on the 17th April 1866. I resigned for the second time shortly before the Bank went into liquidation. My qualification was twenty-four shares standing in my name belonging to my firm. I had absolute control over them. I had not the sole interest in those shares. I think that qualification was sufficient. Mr. Hannay offered to transfer into my name some of his own shares in case I required a qualification. Such a qualification as the one I possessed was never objected to at that time. I was elected just before

the meeting of the 12th April 1865. I was present at that meeting, and assented to the Resolution of that date to advance on shares.

Question.—You observe that this Resolution rescinded the wise Resolution of 6th August 1863?

Answer.—I have no recollection of that preamble having been brought to the notice of the Board. I am quite sure that the Chairman did not call attention prominently to that preamble. My first conversation with any Director about that resolution was after I had entered the Board Room that morning, before the Resolution was put (I spoke to Mr. Hannay). I had consequently very little time to consider it, and in assenting to it, I must admit that I trusted almost entirely to the experience of my colleagues. No discussion took place to the best of my recollection about the prudence of advancing on shares on which all calls had not been paid up. I think it was very unwise to advance on such shares. As regards the value of the shares I may mention that the only shares mentioned in the Resolution about which I knew anything were the shares of the Elphinstone Land Company. I had never possessed or had any transaction in any of the other shares.

In conversation with Mr. Hannay, prior to taking our places at the Board, I expressed great doubts about the propriety of advancing upon Back Bay Shares. I told him I did not understand the scheme, and must entirely trust to him in the matter, and he expressed entire confidence in their being worth the sum named. He did not mention Asiatic Bank Shares. I do not understand that the "discretion" given to the Secretary referred to the amount which he might advance. My attention is called to the words, "It "is distinctly to be understood that such advances are "only to be granted to first-class applicants." It was on that I mainly relied in assenting to the resolution.

Question.—Who was to be the judge as to who were first-class applicants?

Answer.—A new Director was entitled to believe that the proper machinery existed in the Bank for ascertaining who were first-class applicants. The Secretary must have had occasion to judge about that with regard to every transaction of the Bank.

Question.—From what has come out in evidence before the Commission, you must admit that many who obtained such advances were not first-class applicants?

Answer.—Most assuredly they were not. At the Board very little discussion took place, but Mr. Hannay gave me to understand that it was intended to be a relief to the money market, or I should rather say to good substantial men who had somewhat over-invested in local securities. I would ask permission to call the attention of the Commissioners to a letter which is entered on the minutes of the 9th November 1865, which shows distinctly what the views of the Directors were at the time.

No. 5304.

9th November 1865.

The SECRETARY to GOVERNMENT,
FINANCIAL DEPARTMENT.

SIR,—I have the honour to acknowledge your endorsement No. 922, of 26th October, enclosing copy of a communication from Sir Charles Wood. I am requested by the Directors to say in reply that it appears to them the Secretary of State has either been much misinformed relative to the transactions of the Bank of Bombay, or else that he has quite misunderstood the information supplied.

The Bank of Bombay has never advanced money directly on shares, but, during the trying crisis that occurred in the early part of this year, the times were so exceptional, that the Directors considered it prudent, seeing so much money was lent on personal security only, to obtain as much collateral security as possible when granting loans. This was done, and it enabled the bank to assist many of their constituents who possessed shares in sound undertakings and of undoubted value, but required money.

27 July 1868.

Hon. Mr. Brown.

Upon calmly looking at the circumstances of the past, the Directors are of opinion that, had any other course been adopted, the result would have been most disastrous, and had the Government Directors not given their consent to the course commented on, they would have been responsible for ruin, probably more general and wide-spread than was ever before seen in any city or commercial community.

With reference to the alteration of the charter this is a matter over which the Directors have no control, but seeing that the clause referred to has never been taken advantage of, the Directors do not see that any change is either necessary or desirable.

Witness resumes.

There was a large sum of money lying in the Bank unemployed. The letter of the Government Directors of 30th June 1865 is correct on that point. I think the capital had been improperly increased, and it was impossible for the Bank legitimately to employ so much capital in 1864. There were very few *bonâ fide* borrowers of good standing at that time.

Question.—Might not the Directors have been frightened at seeing so much money out on promissory notes without security, and have adopted this resolution as partly a conservative measure?

Answer.—I cannot exactly say that they were alarmed. I was utterly ignorant of the reckless manner in which credits had been given. The letter of the 9th November 1865 answers the question to a certain extent. I believe there is no foundation for the allegation in the Shareholders' Memorial, that the Companies on whose shares advances were made were bubble Companies. The Back Bay Company might have been: certainly none of the rest.

Question.—Looking back with all the light of the past years do you consider the resolution to have been a prudent one?

Answer.—Most decidedly I do not, and it was not till long after that I knew what a reckless use was made of it. I became alarmed by rumours which I heard about the Bank. Soon after I became a Director, I heard that the Bank was involved in loans to men who had speculated largely, and who had large time-bargains in shares for settlement on the 1st July following. I could hardly believe there was any ground for alarm, because Mr. Hannay, when I joined the Board, said that the shares of the Bank were well worth Rs. 120 per cent., the premium at which I think they then stood, but on taking my seat at the Board on the 27th April 1865, I asked Mr. Tracey whether in his opinion there was any ground for the rumours afloat. Business was just about to commence, and I had only time to get his answer that we had better not discuss the subject, as the Government Directors were only too apt to take alarm. Nothing was done about it at that Board Meeting, but Mr. Tracey's answer made me very uneasy, and on going home I told my partner, Mr. Fleming, that I had very nearly determined to retire from the Direction, but after a conversation with him I resolved to remain on the Board, and endeavour to bring about a better state of things.

At the next Board meeting Mr. F. S. Chapman, a Government Director, asked me if I was satisfied at the way in which business was being done. He particularly referred to the utter ignorance in which the Directors were kept as to the business and everything that was going on, and we agreed in opinion that the Directors were ciphers, and the Secretary apparently uncontrolled. Mr. F. S. Chapman then told me that both he and Mr. Lushington, the two Government Directors, had come prepared to move in the matter, and I willingly agreed to support him. Mr. Lushington then proposed, to the best of my recollection, that restrictions should be put upon the Secretary's powers.

President (reading from Minute*.)

* For Minute see *ante* p. 12.

27 July 1868

Hon. Mr. Brown.

Mr. Hannay, Mr. Lushington, Mr. F. S. Chapman, Mr. Tracey, and you were present at that meeting on the 4th May ?

Answer.—Yes, and I thought Premchund was also present Mr. Lushington's proposal was strongly opposed by Mr. Hannay, and I think by Mr. Tracey. Mr. Hannay was the spokesman, and said that unless the Secretary was left unfettered it would be impossible to make him feel his responsibility. I think Mr. Tracey joined him in that, and Mr. Hannay added that men of standing had too much self-respect to submit to have their applications scrutinized by the whole Board, and that, if we insisted, the Bank would lose much valuable business. The Resolution come to at that meeting on the 4th May was a sort of compromise, and there was an understanding arrived at that, considering the perilous nature of the times, and particularly as Mr. Robertson was just entering upon office as officiating Secretary, all new business was to be submitted to the Board, or the Weekly Committee, and I think that understanding was acted on. I cannot say why that understanding was not entered in the Minutes. The Resolution certainly fell far short of it. I was present at the next meeting, when the Minutes of the Meeting of the 4th May 1865 were confirmed. I did not object that anything had been omitted from the last Minutes, but I think you will find that the subsequent practice was as I have stated. It certainly appears from the Resolution that we knew that the Secretary was granting loans on his own authority for more than three lakhs, and that we allowed him to continue to do so, but I think we qualified the permission by the understanding we came to. The qualification certainly ought to have been entered in the Minutes, but I am sorry to say the Minutes were often kept in a slip-shod manner.

Question.—Does it not appear that you required three Directors to be consulted only when new constituents required more than three lakhs, and not when old constituents of the Bank required more than that amount?

Answer.—Yes. Immediately after the passing of that Resolution the crisis was upon us, and no new business was to be undertaken, and the Secretary was told not to enter upon any new business without consulting the Board. There is no record of that order to the Secretary. I did not give him the order, but I know that such instructions were given by the Board. I do not know who conveyed the order to him.

Question.—Do you think it was wise or prudent or business-like, not to put those qualifications of the Minute of 4th May into writing?

Answer.—I certainly should do so now, if the thing had to be done again. I should qualify what I have said so far as regards Bank Bills; they were never brought before the Board at any time. I am referred to Mr. Robertson's letter to Mr. Hannay of the 7th March 1866 (marked A 34). I have not seen this before.

Question.—Is it not clear from that letter that Mr. Robertson claimed almost unlimited power at that time?

Answer.—I think not. I think he is right in claiming unlimited power in regard to Bank Bills and first-class Mercantile Bills. He certainly in the letter claims very great power in other matters, but I did not agree with him. I do not recollect any restriction in writing on the power of the Secretary except that of the 4th May 1865, which provided that he was not to advance more than three lakhs to new constituents, but as I have said before the understanding was clear that restrictions were in force. I am referred to Mr. Hannay's letter to the Board of 15th March 1866 (A 33). (Witness reads the letter.)

Question.—Is it not clear from this letter that the Directors did not know what the powers of the Secretary were?

Answer.—Yes.

Question.—Is it not clear from the same letter that the Chairman did not know what the powers of the Secretary were, and thought it best to ask him?

Answer.—I do not think that the best way of ascertaining the powers of the Secretary was to write to him and ask.

Question repeated.

Answer.—Yes, that is clear.

Question.—Do you not remark that the Chairman does not deny the accuracy of any statement made by Mr. Robertson as to his powers?

Answer.—It is so.

Question.—Does it not appear that the Chairman proposed three things :—

First, to allow the Secretary to discount up to three lakhs only;

Secondly, to allow him a wider discretion as to Bank Bills;

Thirdly, to restrict him in those exceptional times from granting any new loan without the consent of the President or two Members of the Board?

Answer.—Yes.

Question.—I believe those recommendations were adopted by the Board?

Answer.—I was not on the Board then, but I believe a code of byelaws was adopted by the Board. I had the misfortune to join the Board a second time in very evil days, when the Bank was almost in liquidation, and I never saw the byelaws until long afterwards. I never had any occasion to refer to them.

President.—We will now turn to the practice of the Bank as to making advances and granting cash credits, discounts, and fixed loans.

Mr. Brown.—I wish to say that during 1865 there was a totally exceptional state of matters. Our main object was to get in as many outstanding debts as possible, and we hardly did any new business.

Question.—Do you know the practice of the Bank as to loans on promissory notes? What was the practice as to advancing on them?

Answer.—We decided every case as it came before us.

Question.—Did you lay down any rule that there should be a surety?

Answer.—I know of no such rule. There were, I believe, one or two transactions, known to me at the time, of advances on the name of the borrower or borrowers only.

Question.—Do you consider that good banking?

Answer.—Not as a general rule.

Question.—Do you consider it good banking to advance on accommodation bills?

Answer.—I think a banker when a bill is brought to him considers the status of the parties signing it. It would be impossible for a banker to distinguish between accommodation bills and real mercantile bills.

Question.—Is it not the practice in Banks to ask the purpose for which the money is borrowed?

Answer.—I do not know that it is the practice to do so. Very long ago, under the former charter of the Bank, bills with two names were discounted freely. It is the practice to ask all about the parties. I see no objection to advancing on promissory notes if we were satisfied with the names of the parties. It is very difficult to say whether it is wise to leave it to the Secretary to ascertain the sufficiency of the parties in bad times. I certainly would not, or I would take care to know what he was doing.

Question.—Were you often referred to as to the credit of parties?

Answer.—I was after the 4th of May 1865. I think nearly all the business came before the Board after that time; it came either to the Board or was circulated amongst the Weekly Committee. This confirms my view that the Secretary knew he was not to do any new business without reference to the Board.

Question.—Am I to understand from that that you were unaware of the practice of sending out a note to a native Director and obtaining his opinion, and thereupon granting the advance?

Answer.—I never sanctioned such a practice.

Question.—Were you not aware of the practice of a native Director sending parties with a recommendation to Mr. Blair, and of Mr. Blair writing to a native Director, and obtaining his sanction to an advance?

Answer.—I did not know it at the time, but I know it now.

Question.—Do you not know that Mr. Robertson continued that practice?

Answer.—I think it very likely that Mr. Robertson referred to the native Directors for their opinion. There was no one whose opinion was more highly valued in 1864 and the beginning of 1865 than Premchund Roychund. I have heard it stated that he was the confidential adviser of all the Banks in the place. I do not know that his opinion was taken by the Secretary of the Bank of Bombay when he was not a Director of the Bank.

Question.—When did you become aware that the Bank had advanced largely on promissory notes?

Answer.—The first statement I ever saw was shortly after the 30th of June 1865. It disclosed that large sums had been lent on personal security merely. Several large failures had taken place, which completely revealed the practice. Government and the public must have known it, because the Bank's name was published as a claimant on several estates.

Question.—Do you remember an application for a discount by Cursetjee Hormusjee Chinoy of Rs. 50,000 for three months on personal security, and by M. & M. Manockjee Cursetjee Cama and Company for two lakhs for two months?

Answer.—Yes. I have had an opportunity of refreshing my memory, but I should like to refer to the Minutes with regard to those applications. (Reads Minutes of 11th May 1865.) My reason for assenting to the granting of those loans is expressed in one of my minutes. Mr. Lushington's Minute is, "I would grant no loans on personal security only." Mr. Hannay minuted as follows: "I agree with our late "President, Mr. Birch, that good personal security is "far better than any other." My second minute is as follows: "It is true that credit is for the time "severely shaken in Bombay, but I cannot agree with "Mr. Lushington that on this account all loans on "personal security should be refused; such a policy "would surely precipitate a panic, and recoil tenfold "on the Bank itself." (Exhibit marked A 70.) I considered that a change of policy would have been very undesirable at that time. It was a time of great dullness and panic, and any sudden change in the policy of the Bank would have precipitated disaster. I never saw this second minute by Mr. Lushington of the 13th of May 1865; it was not circulated. I see that he adhered to his former opinion, and he adds, "Loans on personal security are strongly advocated "by our President and the late President, but I "would ask whether it is not upon such loans that "our greatest losses are likely to occur?" (Exhibit marked A 71.)

Question.—Had it not been the practice to advance enormous sums (as much as ten lakhs at a time) on mere promissory notes, especially in 1864, and not to call for securities till difficulties had set in?

Answer.—It was the practice. Difficulties at that time were never thought of.

Question.—Should not all banking loans be for a short period?

Answer.—Yes; about three months is considered the right limit, and our loans were for that period.

Question.—But constant renewals make long loans, do they not?

Answer.—Certainly.

Question.—I ask you as a mercantile man, is it not bad banking to make loans and then to renew them continually?

Answer.—Yes.

Question.—Are not such loans apt to become dead loans?

Answer.—Yes, that is the idea of a banker. I do not think any fixed loan was ever granted in my time.

Question.—Was it legitimate banking business to lend large sums to persons who were not in trade, to Barristers and Doctors, for speculative purposes?

Answer.—I think not, and I remember minuting to that effect upon some application which was made to the Bank in 1866.

Question.—Was it good banking to lend money on shares which had not been fully paid up, and to make advances on the premia of shares?

Answer.—Certainly not. I would not make such advances now.

President.—We will now turn to the practice of the Bank as to cash credits. On what principle were they granted, and was it usual for the borrower to execute a bond?

Answer.—I can hardly say. In 1865 we were in a transition state. I believe the rule was to take a bond, and sometimes to require a surety, but I cannot positively say what the practice was. I have not had my attention called to the Resolution of 2nd June 1864 regarding cash credits except by this investigation. I look at the scroll minute (marked A 48) shown to me. I observe that the Scotch system of granting cash credits is there referred to, and that after making mention of a bond being signed by the party borrowing, the words "together with two good names as security" have been altered to "with or without good names as security, according to the credit of the party." The alteration is, I think, in Mr. Blair's handwriting, but I am not sure. I believe he is a Scotchman. I do not know whether he came from a Scotch Bank. I am aware that current deposits accounts were allowed to be overdrawn, but not after May 1865?

President.—Look at these memoranda of Mr. De Ga's (marked A 31); does it not appear that there were many overdrafts in 1865 and 1866?

Answer.—This is the first time I have seen these memoranda; the overdrafts in 1866 were never brought to my notice. I could not go into the Bank and examine the books.

Question.—Would it not have been desirable to have before the Board a list of all accounts overdrawn?

Answer.—There was a list of outstandings laid before the Board after the middle of 1865. I am not aware that the Bank advanced on real property. There were two cases in which real property was taken as collateral security at the advice of the Bank's Solicitor. Dossabhoy Merwanjee and Co. and Premchund Roychund were the two parties. I have seen the clause in the Bank Act restricting the Bank from making advances on land.

Question—Was not Dossabhoy Merwanjee's case one of an original loan on security of real property?

Answer.—No; they owed money to the Bank, and were about to stop payment, and we took security to cover the loan then unsecured, as well as for the advance then made. Our Solicitor's opinion was that we might go further than this. He thought that we were perfectly at liberty to take title deeds as collateral security for a loan at the time of lending the money.

Dossabhoy Merwanjee and Co. were a house of old standing in the French and American trades, and were in temporary difficulties for some reason which was explained by the President of the Bank, who said he considered two objects would be effected by granting their application, viz., that the Bank would be secured as to the first lakh then owing, and secondly we should tide an old respectable firm over their difficulties. The security was considered far more than sufficient to cover the debt. The Board only consented to make the advance on condition of the Solicitor's opinion pronouncing it a legal transaction. I do not remember that he advised that the Bank could advance on land, if an old debt were due. I do not think the matter ever came before us, except on two occasions. Mr. Kelly advised us at the meeting about the loan of twenty-five lakhs to Prem-

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chund. Mr. Manisty, his partner, wrote an opinion after Mr. Kelly had gone home.

President.—We now come to the transfers of debts. Were they brought before the Board? Sorabjee Jamsetjee Jejeebhoy in giving evidence before us, stated that he owed the Elphinstone Financial Company a lakh, and that the Elphinstone Financial owed a similar sum to the Bank of Bombay, and that by some arrangement his debt was transferred to the Bank, his brother Rustomjee becoming jointly liable with him on account of it to the Bank.

Mr. Brown.—I never heard about it before; such a transaction ought to have been brought before the Board. The President, Mr. Hannay, attended for hours daily at the Bank and took a great deal of trouble about the Bank's affairs. I cannot say what the duties of a President were. They were not defined, but his responsibility was considered to be much greater than that of the other Directors. I declined to become President on account of the demands on my time which the office would make. I am not able to speak as to the amount of time which Mr. Birch was accustomed to spend in the Bank when he was President. I have, however, seen a letter which mentions the extreme care and attention which he used to bestow upon the affairs of the Bank. The Application Book and the Register of Bills discounted were laid before the Directors at our meetings. As a general rule, it was a formal thing laying them before the Directors. I used to look at them occasionally. In July 1865 I first saw a list of the outstandings, and I went over it with Mr. Hannay, and we determined not to declare a dividend. A list of outstandings was not regularly brought before us at our Weekly Boards till June or July 1866. I believe the only opportunity which the Directors had before that of ascertaining the position of the Bank was when the balance sheet was made out every half-year. When times were good, and there were no bad debts, it was not thought necessary to do more. In July 1865 things were so bad that it was impossible to value the assets of the Bank.

Question.—What was the system of superintendence of the Branches?

Answer.—There was an Inspsctor of the Branches. I cannot say who appointed the Agents. I do not know who appointed the Shroffs. I believe there were elaborate returns made by the Branches every week, but they never came before the Board. I believe the affairs of the Branches were tacitly left in the hands of the President and Secretary. Orders were given shortly after I joined to the Agents at the branches to send in all their available cash, which was tantamount to stopping all business. Balance sheets were sent by the Branches to the Head Office in July 1866. I am not aware of any being sent up before. No special reports from the Branches were called for, that I recollect. I do not recollect any rules being promulgated for the Branches. I do not know how the Kalbadevi Branch of the Bank was managed. I never went there. I do not know that any other Director did. All I know about that Branch is, that I believe it was established for the purpose of receiving deposits, facilitating the cashing of currency notes, and collup country hoondies. It was near the Native Shroff's bazaar, and a good profit was made. I had not the least idea that discounts were being made and loans granted there. There could be no object in having a branch in Bombay for that purpose. The Inspector was generally up country. I cannot say whether he visited the Kalbadevi Branch before 1866. Mr. Bullock was probably right in saying that his Branch had not been inspected before 1866. At a late period we attached Mr. Fraser to the Head Office as Deputy Secretary, and we had then no occasion for an Inspector, as there was no business done at the Branches. I first knew about July 1866 of there having been losses at the Branches. I am referred to a statement in the Board Minutes of 20th July 1865 putting the losses of the Branches at Rs. 22,836-9-2.

Question.—Do you understand what Mr. Fraser means in his Report about the Kalbadevi Branch when he speaks of influence which has become known to the Directors?

Answer.—The influence he speaks of was that of Premchund Roychund. We had summoned Mr. Bullock before us, and I think he had stated that he had followed the instructions of Mr. Blair, that he should be guided by the advice of Premchund in the business that he did. He did not mention that he had any such instructions from Mr. Robertson. Very little business was done at the Kalbadevi Branch after Mr. Robertson became Officiating Secretary—that is what Mr. Fraser meant, I think. We had no knowledge on the subject besides Mr. Bullock's statement. We did not institute any inquiries in consequence of Mr. Fraser's Report. We had enough to do to get in money. I came to the opinion that the management of the Branches was bad and discreditable beyond anything I had ever seen. I speak chiefly of the Kalbadevi Branch, though it was bad at Poona too. I thought the system was most to blame for the mismanagement, and that the Head Office could hardly cast a stone. I do not know that any instructions were given to allow of the discounting of bills at the Kalbadevi Branch. I do not know what the intentions of the founders of the Branch were, but I have stated my own idea.

Question.—Are you not aware that Mr. Bullock was in the daily habit of seeing Mr. Blair.

Answer.—I am not aware of it. I was not aware that the officers of the Bank were engaged in speculation. I do not think the matter ever came before me. I never heard that Mr. Robertson or Mr. Rodgie were engaged in share speculations. Mr. Blair's dismissal was not on account of share speculations, but simply because he was considered incompetent. A letter was written to him by the Chairman when he was absent on leave. There was no suspicion as to his honesty, but I had anything but a favourable opinion of him as a man of business. I never had occasion to consider Mr. Blair's relations towards Premchund or any member of his family. It is a hard thing to say, but it was his incompetency for which he was dismissed. It was sufficiently shown by the state of matters which was found to exist after he left.

I knew very well that some of the Directors of the Bank were holders of shares, but I did not know that they were speculators in shares. I did not know that Mr. Tracey was largely speculating in shares. Mr. Hannay, at a meeting in July 1865, disclaimed it for himself, and on behalf of Mr. Tracey. I had no means of knowing what Mr. Hannay's interest was in the Asiatic Bank, but I knew that either he or his partner, Mr. Gavin Steel, had been a Promoter of it. I was not aware that there were intimate business relations between Mr. Tracey personally and Premchund Roychund. I knew that Premchund was a native constituent of the firm of Ritchie, Steuart, and Company. He was not their broker. He guaranteed them from loss on native consignments.

Question.—Why were the Asiatic Bank, Bombay Reclamation Company, and Elphinstone Land and Press Company selected out of other Companies as Companies on whose shares advances should be made by the Bank?

Answer.—The Elphinstone Land and Press Company started in 1858, but unfortunately in 1864 its shares had become a medium of simple gambling. I had no shares in the Asiatic Bank. My partners in London were asked to join it and refused. We declined also. It was a standing rule of our firm that we should never identify ourselves with any other Bank but the Bank of Bombay. Premchund had many shares in the Asiatic Bank. I believe the Bombay Reclamation was chosen because many men of good standing had bought its shares. Mr. Hannay was Chairman of it. Premchund was a director, and

held many shares in it. I have no doubt Mr. Tracey was a shareholder in it.

My firm were Secretaries and Treasurers of the Elphinstone Land and Press Company. I was Chairman of the Company. Mr. Hannay had nothing to do with it. Mr. Tracey was at one time on the Direction, but I think not then. Premchund may have had shares in it. Mr. F. S. Chapman and Mr. Lushington had nothing to do with it. I had no interest in raising or depressing the shares of the Elphinstone Land and Press Company, nor had my firm, or the Company itself. Every share belonging to me then, I still hold. I say the same for my partners, and the Company itself had more money than it knew what to do with. The Company is carrying on its business, and will pay a dividend next month.

I was present and heard Mr. C. E. Chapman give his evidence. I heard him say that he thought the Government Directors had in two instances been kept in ignorance. I did not keep back anything. I was frank and open in my communications. When Mr. Tracey said to me that the Government Directors were only too apt to take alarm, I thought then that he meant that what would strike a commercial man as nothing very alarming was likely to alarm a Government Director; however I am not defending Mr. Tracey.

President.—Have you any reason to think that important facts were kept back by the Secretary.

Answer.—I would answer that by saying that I do not think things were intentionally kept back from us, but that the Secretary was not so communicative as he might have been. I should not like to accuse Mr. Robertson of purposely keeping back anything. He was apt to make random statements. I do not think there was a disinclination on either the part of the Commercial Directors or the Secretary to confer freely in the presence of the Government Directors, under the impression that things might reach Government.

President.—Was the same weight given to the opinion of the Government Directors on questions of credit?

Answer.—No, because they were not in a position to be acquainted with the standing of persons in Bombay.

President.—Yet that is most important in a Bank.

Answer.—Undoubtedly. I am not going to defend the system of Government Directors.

President.—Do you think that they were equally qualified with the Commercial Directors in other respects?

Answer.—Some of them certainly were not, others, and notably Colonel Marriott, had bestowed a great deal of thought upon the science of banking. Generally their previous experience had not been such as to qualify them for the position. I think the system as to Commercial Directors had great disadvantages, and that under the best Board of Directors the success of a Bank must depend upon the integrity and ability of the Manager and other officers. I do not think the Directors can sufficiently curb the manager if he is disposed to disregard the rules of the Bank. It is the case in Bombay particularly, where all the Directors are busy men. There is no class of men here such as there is in London, who can give their time to the management of a Bank. When bad times such as 1865 and 1866 come upon us, it of necessity happens that the Commercial Directors have just the least time to give to the affairs of a Bank; they are too much occupied with their own concerns. The Commercial Directors had the same honorarium as the Government Directors. Rupees thirty for attending at each meeting. It was considered a creditable thing to be a Director of the Bank. If I had known what trouble it would have brought upon me I would never have joined the direction.

President.—Do you think that very large concerns of this kind can be well managed by a Board of Directors receiving a mere honorarium for their attendance?

Answer.—Judging from my experience the influence of Directors is not so great as it ought to be. 27 July 1868. *Hon. Mr. Brown.*

Question put by Major Innes.—You said that you considered that on questions of the credit of applicants, Government Directors are not so useful as Commercial Directors; are there not other ways in which the Government Directors are more useful than the Commercial Directors?

Answer.—Perhaps they are. I think that in some cases the advice of a man like Mr. C. E. Chapman was of great value. I think the Government Directors were also more inclined from previous habits, than the Commercial Directors, to see that rules existed for conducting business, and also more inclined to insist upon the rules being observed.

President.—I will now ask you as to debts due to the Bank. Take the case of the Alliance Financial Association which obtained large advances.

Did the renewal of the Bill of 7th July 1865 for Rs. 1,06,000 come before the Directors?

Answer.—I believe not.

President.—[After pointing out that the renewal is entered in the Bill Discounted Register.] Was it not your duty to look into the matter? Would you not have seen that there was then ten lakhs outstanding?

Answer.—There may have been ten lakhs owing by the Association at the time. It was my duty to inquire into it, but I have no recollection of the matter. There was a rule that twenty-five per cent. should be paid off on renewals being granted. Perhaps this was an exceptional case. We did take steps to get the money in. There may have been a particular reason for renewal. The Secretary only had signed the first bill, and by the second the Directors made themselves personally liable. I cannot say that this was the reason. I did not consider it of importance to examine the Application Book, and Bills Discounted Register, because it was understood that there was to be no new business undertaken without reference to the Board. The question of renewals generally was left to the President and Secretary.

President.—Did you at any time make any inquiry as to the large loans by the Bank to the Alliance Financial Association?

Answer.—We were very anxious about it at an early date, and we sued and got judgment against the Directors and the Company. The result was that we seized every scrap of property belonging to the Company, its shares which appear as security for the debt, and its books, and also a Hindoo temple belonging to a Native Director. I remember their offer of compromise when the Native Directors of the Association were in hiding after the property was attached. They wrote a letter to us. It is on the minutes of the 3rd April 1866. President reads the letter. The three Native Directors, *Ghellabhoy Puddumsey*, Hurbum Nursey, and Sewjee Welljee, were men of position in the Wania caste. The caste considered that a great indignity, by warrants being out against their head men, and by the proceedings against the temple, and the Directors of the Bank thought better terms would be offered. On the 12th June 1866 further terms were offered. I thought them very good. The Board did not accede to them. Kessowjee Naik and another member of the caste came very frequently to my office to discuss the terms. I went with them to Mr. Robertson on several occasions, and took some trouble about it. Kessowjee came forward with an ultimatum, and my head clerk wrote it out, and I corrected it, and it was that letter which went before the Board. I therefore at the Board stated that I should not vote on the proposal. Mr. A. Stewart and Mr. Lidderdale thought the Board would get better terms, and the Government Directors followed suit. Mr. A. Stewart thought that the whole debt would be recovered. Hurbum Nursey was hiding in a bungalow of Tricum Velljee, and an Official of the Bank of Bombay lived near that house, and saw him, and tried to arrest him, and Hurbum Nursey eluded him and got away to Damaun, and the

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other Native Directors got away also, and an hope of getting better terms was lost. There were subsequent offers, but they did not take any definite shape.

President.—Did you hear anything further of these men?

Answer.—Not till December, when Mr. W. H. Crawford, a Solicitor, came forward and offered six annas in the rupee. We accepted this offer, and there is a mystery about it which has never been cleared up. The Bank only obtained four annas per rupee. The Bank has compromised the debt of the Native Directors with them for two annas in the rupee. I said at the time that the previous offers ought to be accepted, but the Board thought it was for the interests of the Bank to decline them. I know that my brother Directors acted with due consideration in refusing the offers. There were of course casual inquiries as to how it happened that such large sums had been advanced on promissory notes in 1864. It never occurred to us to inquire through whose influence these large loans had been made. I think it was pretty well understood that Premchund Roychund was the confidential adviser of the Managers of the Banks, and the Directors did not think it necessary to pursue the matter further. I do not know that there was any business connexion between Premchund and Mr. Blair.

President.—We now turn to the loan to Ameerchund Bechardass of Rs. 2,00,000 on the 22nd April 1865, resulting in a loss of Rs. 1,99,831.

Witness resumes.—I do not remember the making of the advance to him, or the renewals of the bill. He is dead I believe. He was a book-keeper of Pestonjee Cursetjee Shroff, and was worth nothing. He was afterwards a partner of Rustomjee Cursetjee Shroff, Pestonjee's brother.

President.—It is not the fact that the loan was renewed continually, until the Commercial Bank had failed, and the shares deposited were worth nothing.

Answer.—I know nothing of the subsequent renewals. The Directors no doubt continued to hold the shares under the impression that their value would improve. There was a panic in Bombay from April to July 1865, and about that time there was a great disaster hanging over Bombay, viz., the difficulties of Cursetjee Furdoonjee. It was afterwards understood that he had been assisted by his friends, and telegrams were received about the same time from England of an advance there in cotton, and cotton continued to improve from ninepence to eighteenpence a pound. Confidence was greatly restored, and with it the price of almost all securities in Bombay revived. Bank of Bombay shares, which had been below par, went up to between sixty and seventy per cent. premium.

The revival did much harm. Shares were held over, and ultimately fell, and the result you know. On the day before the loan was made to Ameerchund Bechardas, Pestonjee Cursetjee Shroff obtained an advance from the Bank of five lakhs on security of a deposit of Commercial Bank shares. At the time of the advance to Ameerchund the Board did not know that he was a book-keeper of Pestonjee.

The President next refers to the advances to the Asiatic Banking Corporation amounting altogether to Rs. 19,66,567.

Witness resumes.—On the 13th July 1866 extended credit was given to the Asiatic Banking Corporation. The first shares were taken on that day—one hundred and two shares Apollo Press Company, Rs. 2,25,000. They realised about two lakhs.

Iron Ship Company's shares costing Rs. 3,000 per share were taken at Rs. 1,000 per share. That Company is now in liquidation, and will return Rs. 1,900 a share. There were other shares deposited by the Asiatic Bank on the 23rd August in substitution for a lien on a consignment of five lakhs which we never received. Mr. Morrison explained that he had been misled by cipher telegrams about the consignment, and he offered us shares instead. We had the pick of the Asiatic Bank's securities, and took what we thought best. I have no doubt we ascertained what the property was, and what it was worth. As to the stock-in-trade of Messrs. Macindoe, Rogers, and Company, we could not tell its value. We believed that Mr. Morrison had really been misled.

President.—Then you advanced money in the first instance without getting the security into your hand, and afterwards took property in security, the value of which you could not verify?

Answer.—Certainly we could not verify all. He offered us besides the security of a lien on the call to be made on the shareholders on the Asiatic Bank when the circumstances of Bombay would justify it.

President.—Did you not advance before the security was obtained?

Answer.—Mr. Morrison showed us his cipher telegrams, and interpreted them, and we thought we were justified in advancing. It was a great object to keep up the Asiatic Bank.

President.—Is it not the fact that you did it without obtaining the security, and on the faith of telegrams which it appears that Mr. Morrison did not properly understand?

Answer.—It is so. We assisted several other Banks in the same manner without sustaining any loss, and assisted in carrying them through.

President.—Were you not accustomed to have your securities valued from time to time?

Answer.—There were several valuations made at different times. There was one in June 1866. A Government Committee was afterwards appointed, and the result published, and several other valuations were afterwards made. In times of panic and distress I think that Banks like the Bank of Bombay are justified in stretching a point to support other Banks if they can do so consistently with the interests of their shareholders. We did primarily consider the interests of the shareholders. As regards the depreciation of securities, I wish to state that the securities held by the Bank have shown an immense depreciation at every subsequent valuation. When Mr. Stewart came back he thought the assets of the Bank amounted to a crore. Afterwards he valued them at fifty lakhs. We did consider that we had taken a sufficient margin of securities for our advances to the Asiatic Bank. The depreciation has been such as no one could have foreseen.

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29th July 1868.

I should like to state that I was absent from Bombay from April 1864 until the 14th March 1865.

President.—We resume the consideration of the advances to the Asiatic Bank. I find the first meeting of the Board was held on the 14th May 1866, and that there was another Board meeting on the 13th July 1866.

[Reads the Minutes of those meetings and refers to the letters produced by Mr. Stuart relating to the transaction.]

Witness resumes.—I am referred to a letter of 2nd May 1866 from Mr. A. Morrison, the Manager of the Asiatic Bank, applying for the advance of fifteen lakhs. There is no list of securities attached to this letter. The advance was very carefully gone into at the time. I shall be much surprised if any of the documents are not forthcoming. Government paper and Bank Bills were part of the securities which were offered. (Reads from Circular Minute of 14th May 1866,

" Resolved that the credit be granted on his giving
" up all the securities stated in the list, and a
" written guarantee to deposit immediately on
" receipt the Bills and Government Paper now
" on the way from Calcutta and China.")

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I believe the Bills formed part of the ten lakhs. My note in the margin refers to Bank Bills. The amount mentioned in the second Board Minute as due from Byramjee Hormusjee Cama's estate was due to the Bank of Bombay. To the best of my recollection the Trustees of Byramjee Hormusjee Cama's estate had made some mistake as to the dividend. The Asiatic Bank had to pay the dividend to the creditors, that was one of the pressing difficulties of the Asiatic Bank. They were the Bankers for the Trustees. A considerable portion of the funds of Byramjee Hormusjee's estate was locked up in Court in Hong Kong, and the Trustees led us to believe that the funds would be released and come to us at an early date. Both Mr. Robertson, our Secretary, and Mr. Morrison were trustees of Byramjee Hormusjee Cama's estate.

[The President reads from the Minute the list of securities, and adds, Five lakhs are mentioned as coming from Calcutta, but no mention is made of a remittance expected from China.]

Witness.—The reason why no mention is made of funds coming from China is because they were coming to Byramjee Hormusjee Cama's Trustees. It was a sum of five lakhs that was coming from China.

President.—You let them have a credit of twenty lakhs, and consented to postpone the drawing of a sum of three lakhs to which the Bank was entitled as a dividend from Byramjee Hormusjee Cama's estate?

Answer.—Yes.

President.—On looking at the "Advances on Shares Book of the Bank" I find that on the 14th July 1866 one hundred and three Apollo Press Company's share certificates, and eighty-four Iron Ship Company's share certificates had been deposited, and that the share certificates were most of them subsequently withdrawn. Can you explain this?

Answer.—I have never seen those books. I cannot throw any light upon them. I have no doubt that those were sales, and the amounts realised and carried to the credit of the Bank. I presume that twenty-three lakhs was the largest sum which the Asiatic Bank owed to the Bank of Bombay at one time. Those shares were always saleable.

President.—[After referring to the Board Minute of 23rd August 1866.] What is the meaning of this statement in the Minute, "Six lakhs on its way to Calcutta from China." They are not mentioned in the original proposal for the advance?

Answer.—I cannot explain it, I fear, if the letters do not throw any light upon it. Possibly it is referred to in Mr. Morrison's letters of the 13th July, where he says "we estimate a return from China before the end of September of funds for, say, five lakhs at least." I admit that it is an extraordinary thing that loss has happened on this account, considering the care the Directors took about it.

President.—When you were told that five lakhs were coming from Calcutta and about five lakhs from China, Mr. Morrison told you that telegrams had been received?

Answer.—Yes.

Question.—Did you ask to see the telegram in the case of the five lakhs from Calcutta, and for the letters referring to the money at China released by the Court?

Answer.—As to the five lakhs as to which there was a telegram, to the best of my recollection Mr. Morrison was called before the Board, and he had the telegraphic advices with him; as regards the funds coming from China to Byramjee Hormusjee Cama's estate, Mr. Robertson, our own Secretary, stated that he knew these were to be received. He knew it in his capacity of a Trustee of Byramjee Hormusjee Cama's estate. I cannot recollect that we asked to see the telegram, which would have been unintelligible to us without the code. I believe we asked to see the telegram deciphered. Any one who knows the state of the Indian Telegraph Department will not be surprised at a mistake having occurred.

President.—When Mr. Morrison was called upon for an explanation, was he asked to produce the telegram?

Answer.—My recollection does not serve me further than this, that we questioned Mr. Morrison most closely, and satisfied ourselves of the accuracy of his statements. I think it is almost certain that if the Board had then been asked to grant the credit we would not have done it on the securities offered, but we were obliged then to make the best of it.

President.—Was not the transaction this, that you were induced to make the advance supposing that eleven lakhs of solid money would shortly be in your possession; that you had no security for that sum of eleven lakhs, except the statement of Mr. Morrison that five lakhs were coming from Calcutta, and that Mr. Robertson stated that six lakhs were coming from China?

Answer.—Yes, but the statement of Mr. Morrison was supported by what we considered reliable business advices. I mean a telegram in cipher.

President.—Then having been disappointed as to eight lakhs out of the eleven you were forced to put up with the securities offered on the 23rd August 1866?

Answer.—Yes, but you observe that there was also the lien upon the uncalled up capital of the Asiatic Bank amounting to twenty-five lakhs. I believe, although that cannot properly be called a lien, the question was submitted to our Solicitor immediately. This was unfortunately one of the many transactions of the kind into which we were obliged to enter in connexion with the monetary institutions of Bombay, and we lost nothing by any other.

Mr Melvill.—You say in your Minute "it is a simple case of necessity equally for our own and the public, as the Asiatic Bank's interest;" how was it a necessity so far as the interests of the shareholders of the Bank of Bombay were concerned?

Answer.—I can only say that it was done on general principles of Banking.

President.—You said in your former examination that it was the duty of the Bank of Bombay to assist other Banks and even to stretch a point for the purpose.

Answer.—I consider that the Bank of Bombay occupies to a very large extent a similar position to that which the Bank of England occupies in London. I think it is to a large extent the guardian of public credit, and in that capacity under a species of moral obligation in times of panic to do all it can to alleviate panic, and to uphold other monetary institutions. It must have regard to two things: First—The interests of its shareholders; and secondly, other interests which Bankers must regard all the world over. I am hardly prepared to say that I would not feel justified in running some risk to support a Bank like the Asiatic Bank. I think the Directors of the Bank of Bombay are bound primarily to regard the interests of their shareholders, but that occasions may arise in which it is advisable to run some risk.

President.—Are not the Board of the Bank of Bombay bound to protect the interests of their shareholders as strictly as any other Bank?

Answer.—Yes, they are so.

President.—Why should they, if cases arise, run any risk?

Answer.—To save the Banks from worse evils than those that they run the risk of.

President.—Do you think the Bank of Bombay did the slightest good by supporting the Asiatic Bank?

Answer.—As things have turned out, I do not think any good was done, but the Directors thought they had sufficient security for the advances. We were not prepared for the crisis in May 1866, which followed the stoppage of Overend, Gurney, and Company and other houses.

Mr. Melvill.—Did not the necessity of supporting the Asiatic Bank, of which you speak, consist in a great measure in the fact that the Bank of Bombay held a number of Asiatic Bank shares, and that in case that Bank should fail, the Bank of Bombay would have been liable for calls on those shares?

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Answer.—I have no doubt that occurred to me at the time.

Mr. Melvill.—In point of fact the Bank of Bombay has had to pay a large sum for calls on Asiatic and Commercial Bank shares. The effect of advancing on shares and accepting transfers of them was to make the Bank of Bombay a partner in the concern, and when it got into difficulties, you were under a necessity to risk more money in order to escape the losses entailed by the advances.

Answer.—It had that result.

To the President.—I said yesterday I was not aware of any system of overdrafts. I am referred to the Board Minute of 13th July 1866, when permission was given by the Board to a customer to overdraw his account, at which time I was Vice-President. I cannot recall the circumstances of that transaction, but the customer was a shareholder of the Bank, and there was the security of his shares. I am referred to another similar transaction on the 24th July 1866 when I was also present. This customer was also a shareholder.

President.—I think Mr. Ryland, the Deputy Accountant, was allowed to overdraw to the extent of Rupees twenty-nine thousand and upwards?

Answer.—I do not know anything about it.

President.—Can you doubt after seeing that two instances were sanctioned by you, and after looking at Mr. De Ga's bundle of Memoranda, that there was a regular system of overdrafts in 1866?

Answer.—I consider that there was not a system, or else some would not have been brought before the Board. [A number of instances having been quoted from the memoranda kept by Mr. De Ga by the President.] There is no doubt that the overdrafts were numerous.

President.—We will turn to the advances to the Bombay Joint Stock Corporation. One bill for three lakhs was discounted on 29th May 1865, and another for one lakh on the 24th June 1865, on which the loss is Rs. 1,50,881.

Witness.—There were shares taken as security for the first loan. Ten lakhs were applied for and refused. The 29th May 1865 was about the height of the panic, but there were peculiar circumstances connected with that loan. About that date I believe the Bombay Joint Stock Corporation had a large payment of about fifty lakhs to make to the liquidators of the two Companies forming together the United Victoria and Colaba Company. The Bombay Joint Stock Corporation was the Banker of that Company. The Corporation had a difficulty in meeting the payment, and applied to the Bank for assistance. The Bank considered that it might advance three lakhs. All these circumstances were known to the Directors, although they are not recorded on the minutes.

President.—Were you not alarmed at the fact that they could not pay the fifty lakhs?

Answer.—The thing was well considered at the time.

President.—You cannot be ignorant that it was one of the bubble Companies of the time.

Answer.—It had respectable Directors, and it had enormous deposits. It had two crores from the Victoria and Colaba Company alone, and it was not considered a bubble Company. We did not know of the mismanagement that was going on. We did not know that they were dealing in their own shares. They had made a second issue of shares before calling up the amount of their first shares. But I do not know that we ought to have been alarmed by that. It was only taking advantage of the state of the money market to issue more stock. We made inquiries and were satisfied as to the Board of Directors and as to the Manager. The value of the securities deposited was well known to all our Directors. Their par value was three lakhs.

President.—Do you think it was a safe system to advance up to the par value?

Answer.—Not on the shares *per se*. I do not think there was anything objectionable in this advance, as there was the unpaid value of the shares to fall back upon. I am aware that loss occurred on the transaction, but all local property suffered terribly at the time. We took security for the second loan.

The President.—Not at the time.

Witness.—Allow me to look at the Minute (A 42). I cannot explain Mr. Lidderdale's remark that he feared the advance would do no good. We did good in helping the Corporation. It maintained its solvency for the time. It was left to the Secretary to take care that the one lakh which was advanced came back to the Bank from its debtors, the shareholders of the two Companies forming the United Victoria and Colaba Company.

President.—What steps did you take to recover the amount advanced?

Answer.—We instructed our Solicitor to recover as soon as we knew there was any risk. That was done in all cases. The Secretary was instructed to keep a strict watch, and to press on suits. We were much dissatisfied with the conduct of Mr. Kelly, the Solicitor of the Bank. We employed Mr. Rimington in his stead, and he joined Mr. Kelly afterwards. Mr. Kelly was far from well during the latter part of his connexion with the Bank, and is now dead—killed, I believe, by the wear and tear of the times.

President.—The next account is that of Byramjee Hormusjee Cama. There was a fixed loan on the 1st May 1865, of Rs. 1,25,000, with other loans making a total of Rs. 9,19,800.

Answer.—I have no recollection of the loan of Rs. 1,25,000. I find that on 13th May 1865 it would appear at first sight that he obtained a lakh of Rupees. The explanation I have obtained from the Officers of the Bank is that Byramjee Hormusjee Cama gave Mr. Robertson a bill for one lakh on Calcutta, on being pressed for security, and this bill came back on our hands.

President.—Did the state of this large account, which once amounted to 17 lakhs, attract your attention? His house stopped in May 1865.

Answer.—I was much surprised that this account was so large, but the Board seemed to think that to such a man as Byramjee Hormusjee Cama the credit was not too large. I could not understand it, it surprised me.

President.—The next account is that of Cowasjee Rustomjee Pochajee and Company. They had a cash credit of one lakh on the 16th March 1865, and further advances on the 15th and 22nd August 1865, amounting to Rs. 82,000.

Answer.—I do not recollect who Cowasjee Rustomjee Pochajee and Company were. I used to make inquiry when unknown names came before me.

President.—You appear to have sanctioned the advances to them in August 1865.

Answer.—S. and N. Nanabhoy were the joint debtors, and were a good firm. I am not aware of any securities having been substituted for the shares in the United Victoria and Colaba Company originally deposited with the Bank.

President.—How does the enormous loss of Rs. 1,37,000 occur?

Answer.—I cannot understand how the loan was renewed so often. The Secretary had instructions to obtain twenty-five per cent. on every renewal; and if he could not obtain it, it was his duty to refer to the Board.

President.—How is it that the Bank with its means of knowledge was so frequently wrong about the credit of its customers?

Answer.—I cannot say, except that it was the result of the times.

President.—It appears that on the 16th August 1865 the Secretary advanced to these debtors on the deposit of share certificates. Should not such an advance on shares have been brought to the notice of the Board?

Answer.—Yes; it was the duty of the Secretary to bring it before us.

President.—Such were his instructions?

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Answer.—Yes ; verbal instructions; it was a *bonâ fide* understanding.

President.—How is it that this was done after the letter to Government of the 30th June 1865 agreeing not to advance on shares?

Answer.—I never saw that letter at the time.

President.—Did not the Government Directors, Mr. F. S. Chapman and Mr. Lushington, tell you that there was a pledge given to Government not to advance further on shares?

Answer.—I have never heard that it was a pledge, it was not stated to the Board as such.

President.—The Government understood it as a pledge, and I think I shall be able to show you that they so understood it.

I will next refer to the loans to Mr. W. H. Crawford. A cash credit was granted to him and Mr. H. B. Macculloch on the 5th April 1865 of one lakh, and a bill of Mr. Crawford's for another lakh was discounted on the 4th May 1866. The first of these advances was a total loss. On the second there appears to have been a loss of Rs. 23,000. There was no security taken apparently for the first advance?

Answer.—It never came before me. Mr. Macculloch came out to Bombay as a Manager to the Agra Bank, and was a very able man of business. He subsequently became a London Agent of one of the Bombay Banks. He was considered to have made money, and he left his appointment and became a partner with a Mr. John in the firm of Macculloch, John, and Company, and they failed in 1866. The bill must have been renewed. I have reason to believe that he is the person referred to in Mr. Robertson's *de bene esse* examination in the High Court about the advance of twenty-five lakhs to Premchund Roychund as having come to Mr. Robertson, and told him that Premchund must be supported. Premchund having exhausted his credit with Messrs. Ritchie, Steuart, and Company, entered into business relations with Macculloch, John, and Company, and shipped a great quantity of cotton through them.

Shares were taken as security for the second loan. I did not approve of that advance to Mr. Crawford. I minuted against it; so did Mr. Norman. It was discussed again, and Mr. Crawford represented himself to be in considerable straits for money, that he had large bills of costs owing to him, but that he was pressed for time and could not manage to get his bills made out. He had in particular a large sum owing to him by the G. I. P. Railway Company, to which he was Solicitor. He agreed to assign his claim against the Railway Company to the Bank, and that, along with the other securities which he offered to deposit, was estimated to cover the advance, and a large portion of the former loan.

I have reason to believe that there was laxity on the part of the Bank Officials regarding the management of the transaction. The letter assigning the claim on the Railway Company is not forthcoming. Mr. Robertson is to blame, not only on account of that document not being forthcoming, but generally in the management of the transaction. The shares deposited have been sold. They were worth at the time Rs. 77,000, the claim for costs on the Railway Company was for Rs. 50,000 or Rs. 60,000. His executor refuses to recognize the claim of the Bank on those costs.

President.—The next case is that of Cursetjee Furdoonjee, who had a fixed loan on the 1st October 1864 for Rs. 3,20,000, renewed on the 16th January 1865 for three lakhs. He had also a fixed loan on the 28th December 1864 for Rs. 6,25,000, and a cash credit on the 11th April 1866 to discharge an overdrawn deposit account begun on 19th December 1864, and amounting to Rs. 2,80,366. The total loss on these advances is Rs. 10,25,510.

Answer.—I know nothing of the granting of any of these loans. My attention was first drawn to them about July 1865, when Cursetjee Furdoonjee was in difficulties. An arrangement was come to, some of his friends assisting him through his temporary difficulties.

I cannot recollect what was done about his debt to the Bank. Between that time and January 1866 it came before the Board again, but I was not on the Board at that time I think.

On the first occasion, in June or July 1865, I think the Bank gave him six months' time.

[The President reads from minutes of 30th January 1866 as follows :—

"Submitted the report of the Committee of Credi-
" tors of Mr. Cursetjee Furdoonjee.
"*Resolved.*—That the Secretary be authorized to
" receive from Cursetjee Furdoonjee security to
" the extent of three-fourths of his debt to the
" Bank. The security offered to be valued by
" competent valuators, and Cursetjee Furdoonjee
" to guarantee to take over not less than one-
" half of the security so deposited, giving cash
" for an equal amount within six months by
" equal instalments payable at an end of two,
" four, and six months."]

Witness.—I think a deed was prepared by his Solicitor, Mr. Keir, who will be able to speak to the facts, and to produce the deed.

I do not remember the loan by which the balance overdrawn of the current deposit account was paid off. It was of course a mere transfer. I do not know that any one had pointed out the overdraft. I cannot say it was done to conceal the overdraft.

President.—The next account is that of Kursondass Madhowdass. Mr. Birch was Chairman of the Bank when the first loans were granted to Kursondass Madhowdass and his partners, in August and September 1864.

Witness.—On the 3rd August 1865 I was on the Board, and the original bills fell due. Kursondass wrote to the Board asking to have them renewed for six months, and deposited an acknowledgment of claim for twenty-five lakhs against Cursetjee Furdoonjee, and Bonds from Premchund Roychund and Premabhoy Hemabhoy. The loan fell due in December 1865, and it would appear that transfers were then made. Kursondass Madhowdass remained liable for eleven lakhs. Premabhoy Hemabhoy became liable for five lakhs, and Premchund Roychund for nine lakhs. I sat for the last time on the 7th December, and for some weeks before had not been able to attend to business. I believe that Kursondass was right in saying that the transfer of the loans improved the position of the Bank. Mr. Hannay knows most about that transaction. I believe that there was an understanding about the renewal of those loans. Kursondass was not to be pressed for payment.

To Mr. Melvill.—I think a careful estimate was made of the securities given by the Asiatic Bank, but as I have said before I cannot account for the heavy loss upon the transaction.

It was understood that the difficulties of the Bombay Joint Stock Corporation arose from their having recklessly lent out their large deposits amounting to two millions which they possessed; they were in consequence unable to meet the claim upon them for fifty lakhs. I have been asked what steps the Directors took with regard to past due Bills, and pushing on suits. Mr. Duncan was specially appointed to look after those matters. I can give no information about the advances to Jumnadass Doolubdass.

President.—We will turn to the account of Khuttow Khemjee. There was a bill of his discounted on the 26th April 1865 for Rs. 40,300, and another on the 12th September 1865 for Rs. 2,00,000; the loss on these transactions has been Rs. 1,50,000.

Witness.—Security was taken for the first loan. Asiatic Bank share certificates were lodged. I do not know on what date. It may have been on the 30th May 1865.

President.—Was it not the practice that persons came to the Bank for loans, and having obtained money from the Bank purchased shares and afterwards deposited the share certificates as security?

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Answer.—I am not aware that there was such a practice. Some things that have transpired before the Commission show that there have been some instances of it.

President.—In the case of Messrs. Best and Brown it was proved that they bought fifty Port Canning Company's shares, having obtained a loan for fourteen days for Rs. 2,50,000, and that at the expiration of the fourteen days they deposited the certificates for forty-six of the shares, and with respect to these loans to Khuttow Khemjee I can show you that the money was used for the purchase of Asiatic Bank shares.

[Reads from Minute of 7th August 1866 an entry showing that Premchund had acknowledged by a letter to the President of the Bank that the money borrowed from the Bank had been used for a joint speculation in Asiatic Bank shares by him and Khuttow Khemjee.]

Witness.—That had escaped my memory. It appears I was present at the Board Meeting. I am referred to a Circular Minute (marked A 46), and to a letter from Premchund of the 25th April 1865 (A 73), and a second letter from him of the 2nd August 1866 (A 72). After looking at these documents I have no doubt that the second loan was taken for the purpose of buying the Asiatic Bank shares which were deposited with the Bank. Khuttow Khemjee was a cotton merchant of good standing in April 1865, so that Premchund's recommendation of him was probably a perfectly honest one. It would have been useless to press Premchund for payment in August 1866. I am not aware that any additional security was obtained, or that the Secretary took steps to obtain any. I have no other information about this matter.

President.—We will turn to the account of Manockjee Limjee and Company. They had a cash credit from the 14th to the 31st January 1865, of Rs. 5,00,000, and an open loan on the 5th June 1865 of Rs. 4,00,000, on which advances there has been a loss of Rs. 4,76,421.

Witness.—Manockjee Limjee and Company were a very old and respectable firm. They were Brokers to Messrs. Leckie and Company. Cowasjee Manockjee Limjee was a Director of the Bank of Bombay. I am not sure that he was a partner in the firm. He was a near relative of Manockjee Limjee. I do not know the particulars of the loan of four lakhs. There is a Minute of 1st June 1865, which refers to it. When the second loan was granted, reference undoubtedly ought to have been made to the existing debt (looks at Minutes). I observe that there is not any reference to the five lakhs. I do not know what security was deposited for the first advance. Cowasjee Manockjee was not on the Board at that time. He was so in June 1865, and appears to have been present at the discussion about the second loan. I know nothing as to the security for the second loan but what appears on the Minute. I should think the loss has been upon the first loan. Under the worst circumstances, taking the securities at their lowest point of depreciation, there could not have been a loss of more than a lakh and a half on the second loan. The security fully covered the second loan, and their credit was first rate

President.—There was an open loan granted to Navulchund Namchund on the 13th April 1855 of Rs. 4,00,000, and in June 1865 an advance to him of Rs. 80,000. On these loans the loss has been Rs. 3,88,932.

Answer.—I did not know Navulchund Namchund. The four lakhs were advanced to him without my knowledge. The Rs. 80,000 must have been a renewal. I first heard of these loans when he became insolvent a long time afterwards. I recognize my signature to the certificate about the Elphinstone Land Company's shares that were to be delivered to him by Messrs. Nicol and Company. No doubt the advance was made under the Resolution of the 12th April 1865. I should not consider him a first-class applicant by any means. He is a brother-in-law of Premchund. He had to pay the sum mentioned in his evidence to the Elphinstone Land Company. I forget whether his estate was wound up under Act XXVIII. of 1865. I cannot say how that Act would have worked under vigilant and careful Trustees. I think any Trustee who did his duty under that Act had the same powers as the Official Assignee. The Act in its practical working was, I think, grossly abused. I can only speak from conjecture. I cannot say that any absolutely fraudulent Schedule was produced, or that any very indefensible proceedings took place, but that was my impression at the time. A great deal depended upon the choice of Trustees. The Act has proved a complete failure.

President.—Next as to Premchund Roychund's dealings with the Bank.

	Rs.
There were overdrafts which commenced on the 1st April 1865, ending in a debt of	1,62,839
A fixed loan on the 1st December 1865, being a transfer from Kursondass Madhowdass and others of	9,00,000
And on the 27th April 1866 a cash credit of	25,00,000
Making together	35,62,839
On these transactions the loss is	20,79,110
There are also the bills with Khuttow Khemjee of Rs. 2,40,000, on which the loss is	1,50,000
And the joint transaction with Mayabhoy Premabhoy for Rs. 4,50,000, the loss on which is	2,80,000
So that there is a total loss of	Rs. 25,99,110

Witness.—I was not aware that on the 27th April 1865 the overdrafts amounted to Rs. 5,13,000. Premchund's application for twenty-five lakhs took me very much by surprise. I considered him a very rich man at that time. I believe the surprise was shared by the other Directors of the Bank. Mr. Tracey expressed to me great surprise at it, and I have read a letter written by him to his partner in England in which he states that the news came upon him like a thunderbolt. Premchund at that time was not in the position of a common share gambler by any means. He had passed safely through the crisis of 1865. There was no whisper of discredit about him then. The universal belief was that, however much he had victimized and ruined others, he had amassed an enormous fortune for himself. He was then trading largely in cotton, and although loss might have been expected on his cotton shipments yet he had this great fortune to stand between him and ruin. At the meeting on the 26th April 1866 to the best of my recollection the discussion turned upon the policy of supporting Premchund. It was laid down as a basis of the transaction that we must have ample security, and it was felt that we must have further information as to his position beyond the mere statement that he was sound. It was therefore resolved to ask him to attend a meeting at Mr. Lidderdale's bungalow. I had inquired as to his position with regard to the Bank in the forenoon from Mr. Robertson. To the best of my recollection he told me that Premchund owed about eight lakhs for Hoondies, which had been drawn on account of purchases of cotton. When I ceased to act as a Director of the Bank in Bombay I do not think that he was a debtor to the Bank. The Managers of the other Banks were invited, as they were supposed to be interested in his position. As Mr. C. E. Chapman said in his evidence, Premchund was the keystone of the credit of Bombay, and it was impossible to estimate the disastrous consequences of his stoppage. Subsequent events showed that the other Banks were directly interested in supporting him, as they held a large amount of his paper, on

houses which subsequently suspended owing to his failure. There was a particular reason as to some of the Banks. A very bad system prevailed in Bombay at that time of buying document bills with only a promise of documents to follow. Some of the Banks held a large amount of his bills with only his promise to deliver documents, which they never would have obtained if he had not been assisted, and Premchund's stoppage would have been followed by a run upon the Exchange Banks, which some of them could not have sustained, and that would have been followed by a run upon the Bank of Bombay. To our Bank there was the further inducement to support other debtors of the Bank, whose position depended upon Premchund's, and generally to prevent the depreciation of shares and securities which would have followed the crash.

The second meeting was held at Mr. Lidderdale's house principally for the sake of privacy. Premchund's position and affairs were discussed on the 27th April. A rough memorandum was produced to which we all felt no importance could be attached. It was I think in Premchund's handwriting. There was a discussion as to the particular difficulties pressing upon him. He was closely questioned by Mr. Robertson, and also through Mr. Tracey. It was explained to me and to the meeting, or understood by the meeting, that his difficulty was a temporary one, and arose from his having some payments to make, whilst he had a large sum of money locked up in the Dhollera districts, which he would receive on the satteh settling day. Mr. Tracey said that he he knew this sum was to be received. Except Mr. Tracey's statement there was no other information about his difficulties. I knew that there were large cotton shipments made by Premchund through Mr. Tracey's firm, on which there was a prospect of a loss. It subsequently transpired that Mr. Tracey had become guarantee to the Bank of Bombay for Premchund. Premchund declined to have the loan for six months, and said that he would sooner have it for three months with a prospect of renewal, because he felt sure of being in funds to meet it within the three months.

President.—How did you satisfy yourselves that this loan would be sufficient to prevent his failing?

Answer.—We could not satisfy ourselves on so short a notice. We trusted entirely to the security.

President.—Was there any verification of the security offered?

Answer.—There was as to the lands a rough estimate made at the time.

President.—How did you know that the lands were not encumbered?

Answer.—The title deeds were to be given to the Bank.

President.—But what did you know of their value?

Answer.—A rough estimate only of the value was before us, but we all had some knowledge about the landed property, especially Mr. Norman, the Collector. As to the jewels it was quite impossible to verify the valuation on the spot. I believed them to be worth twenty lakhs. I knew Premchund had invested largely in jewels.

President.—Were you not soon undeceived as to the value of the jewels?

Answer.—No.

President.—I have a letter of Mr. Lidderdale to the Governor written on the 11th May, in which he says, "We have a security over twenty lakhs in landed property and three or four lakhs in jewels, he (Premchund) says ten."

Witness.—Mr. Robertson in his *de bene esse* examination said they had been valued at fifteen lakhs It was settled in the room that the promissory note should be taken with sureties. The Bank of Bombay was to advance the whole money in the first instance for the sake of convenience, but the other Banks were to subscribe to the extent agreed on.

President.—Is it not true that you came to this result without having any statement of Premchund's affairs before you?

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Answer.—Yes.

President.—And without any verification of the difficulties pressing upon him that day, except Mr. Tracey's confirmation?

Answer.—Yes.

President.—Without any verification of the value of the jewels?

Answer.—Yes.

President.—And without any agreement or memorandum being signed there and then as to the understanding come to?

Answer.—Yes; but I would state with regard to the absence of a memorandum that our Solicitor was there, and by the consent of all present he was to draw up a Deed for carrying out the arrangement. I cannot say that I heard Mr. Lidderdale direct him to do so. Mr. Kelly was taking notes at the time, and it necessarily follows that he considered it his duty to prepare the Deed. I do not know whether he drew up the Deed; there was delay at all events about it. Instructions were verbally given to him to do it. Mr. Kelly was in wretched health at the time, and was obliged to leave for England immediately afterwards. That was his only justification. The Minutes of the Meeting were not drawn up at the time. I must admit it was a grave omission. The Minute of the Meeting which appears on the Board Minutes was drawn up before the next meeting of the Board. I see the addition to the Minute which refers to the promissory note being given. Mr. Lidderdale and Mr. Fraser will be able to explain when that addition was made to it. I cannot explain how that came to be omitted. It is extraordinary in a matter of such importance.

There is an important letter from Mr. Robertson to Mr. Douglas of the City Bank about this transaction. It appears from that letter that the title deeds of the landed property offered as security had been deposited with the Bank before the money was advanced. I wish to state that my view is that each of the Banks joining in the transaction was as much a principal in the loan as the Bank of Bombay. There was no doubt a great omission in not taking a memorandum at the time, but in that respect the Managers of those Banks were as much to blame as we were. Our Solicitor and Secretary were also to blame.

[Mr. Douglas produces the letter (marked Q).]

President.—I now turn to the account of Roychund Deepchund. There was a cash credit on the 4th May 1865 to him of Rs. 95,368, a cash credit on 28th August 1865 for Rs. 1,00,000, and a bill discounted on 24th April 1866, at the Kalbadevi Branch, of Rs. 40,000.

Witness.—I have no recollection of these loans. I do not know whether any security was given for them. I was not aware that there was a deposit of Government paper as security for the first cash credit, and that it had been returned by Mr. Robertson to Roychund. No officer of the Bank ever reported that to me. No doubt it was a loose practice to give up security before a debt was paid off. I am not aware whether Back Bay shares were deposited on account of the second debt.

[*President* reads from Minute of 18th December 1866, a proposal by Roychund to be allowed to sell forty shares in the Bank of Bombay, and to invest the proceeds in Bombay Reclamation Company's shares, to be held by the Bank in lieu of the forty Bank of Bombay shares.]

Witness.—I believe I was not in Bombay on that date. I see I am entered in the Minute as present. I recollect that the late Mr Michael Scott and Mr. Cassels had some views of their own about the Bombay Reclamation Company's shares, and this may have induced the Board to consent to the proposal. It certainly appears extraordinary for a Bank to enter into a speculation of this kind with its debtor. I know nothing about Roychund's transactions with the Kalbadevi Branch. The affairs of the Kalbadevi Branch

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never came before us. It appears very extraordinary that a bill was discounted there so late as April 1866. We had ordered all discounts and loans there to cease. Mr. Bullock must explain it. I have not been engaged in any speculations in shares of Companies. I still hold the twenty-four shares in the Bank of Bombay which I have already mentioned. I believe that I have no further information to give which will be useful to the Commission. I should like to state that I was elected a Director on both occasions by the shareholders without any desire on my part to become a Director. I used no influence to get myself elected; it was altogether the shareholders' doing. The shareholders were so completely apathetic in those days that, to make a meeting, the Secretary has had to go out to look for shareholders and compel them to come in. I may mention also that I would not, with my experience of 1865, have rejoined the Board, had it not been that there was the greatest possible difficulty in getting anyone to join the direction; and I could not, looking to my connection with the Bank in 1865, refuse in honour to rejoin in 1866. I may observe further that the shareholders expressed their confidence in me by electing me as one of the members of the Committee appointed at the time when the Bank was put into liquidation. I referred on that occasion to certain letters that had appeared in the newspapers, which I thought unjustifiable, because they were anonymous, and which had called for criminal proceedings against the Directors; and I said that unless the shareholders would express their disavowal of any sympathy with such feeling I would not act. In reply to that the shareholders said they could not express their disavowal of the letter more strongly than by electing me.

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31 July 1868. *Hon. Mr. Brown.*

On the reassembling of the Commission, Mr. Brown appeared and added to his evidence as follows:—

With reference to my attendance at the Board Meeting of the 18th December 1866, at which the letter from Roychund Deepchund to the Board was discussed, I find that I left for Calcutta by the evening train of that day, so that it is quite likely I was present at some part of that meeting, but I cannot recollect being present whilst the letter of Roychund Deepchund was considered.

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29 July 1868. *Mr. W. Fraser.*

WILLIAM FRASER, sworn.

Since August 1863 I have held the following appointments in the Bank of Bombay. I was agent at the Kurrachee Branch till February 1865; from that time I was inspector of Branches till November 1867. I had a Power of Attorney to enable me to sign as Assistant Secretary at the Head Office in 1866. I am referred to a copy of a letter which appears in the Letter Book of the Bank, dated 9th September 1863 (A 74). It contains the following paragraph in the postscript:—

"I beg to inform you that I have to-day despatched "per Book Post a copy of the Bank's Charter to your "address, which should be carefully perused by you, "in order that you may take advantage of the re- "moval of sundry restrictions contained more "especially in Section XXVII. of the old Charter."

A copy of this paragraph was sent to all the Branches of the Bank which were then open. I received a copy of it at Kurrachee. I am referred to another copy of a letter which appears in the Bank's Letter Book, dated the 22nd September 1863 (A 75). This was only sent to Hydrabad in the Deccan, and Ahmedabad I think. It was not sent to Kurrachee. I am referred to another copy of a letter in the Bank's Letter Book, dated 1st December 1864 (A 76). A copy of this letter was sent to all the Branches with a slight modification in some instances, in regard to the amount of cash balances. I notice a copy of a letter, in the Bank's Letter Book, of the 6th January 1865 (A 77), referring the Agent of the Surat Branch to Premchund's Agent, Abbaichund Cullianchund, for information as to the standing of parties who might wish to do business with the Branch. I see a similar letter was sent to the Agent at Broach (A 78). From February 1863 to February 1865 I was Agent at Kurrachee. I took a copy of the printed Rules with me; they relate principally to matters of account, and to returns to be made to the Head Office. There was a paragraph referring to the amount of discount: a blank space is left for filling up the amount. It was never filled up to my knowledge. It was not filled up in my copy. I made out a discount list of the principal traders at Kurrachee, and sent it to Bombay, with particulars of the sums which I thought they were good for. It was revised at the Head Office, and returned to me. There were no other instructions sent to me as to granting discounts and loans. There were no special instructions given me as to the time for which Bills should run. In 1864 Bills were discounted in one or two cases for periods of nine months with promises of renewal. The Head Office felt bound to renew the bills on one or two occasions in consequence of the Agent's promises.

I am referred to the discounts to the Eastern Financial Association. They were not discounted while I was Agent at Kurrachee, but I have some knowledge of them. The bills were sent to Bombay for collection, but being for long dates the Association had failed by the time they fell due. The three bills were for Rs. 2,20.000. The bills remained at the Head Office here till last year, whilst negociations were in progress with the Eastern Financial with regard to all their debts.

Immediately after February 1865 the Eastern Financial Association employed Ootumram Khoobchund as Agent there. He tendered the Bills to Mr. Watson, the Agent at Kurrachee of the Branch, and he discounted them. Mr. Watson is dead. He was asked by the Directors to explain why he had granted such large discounts. A letter was written to him. There was a telegraph line open at that time. I would not say it was his duty to telegraph for instructions before taking the Bills. The Eastern Financial Association also about the same time obtained a discount at Surat of two lakhs from the Branch there. Those Bills in a similar way were presented to the Agent. He telegraphed to Bombay to know whether he was at liberty to buy the bills. A reply was sent. The Secretary wrote upon the back of the Agent's telegram an authority to buy the bills, and either a telegram or a letter was sent to the Agent at Surat authorizing him to take them. The date of the transaction was the 27th March 1865. This is a copy of the letter in the Bank's Letter Book (A 79) which was sent. The part relating to the transaction is in the following postscript—"You may take Eastern Financial Hoondies at a good paying rate." Whilst I was Agent at Kurrachee there was an Inspector of Branches. My Branch was never inspected. He was employed visiting other Branches, but never visited Kurrachee. He was not in direct communication with me.

President.—Have you anything to state about the management of the Branch at Kurrachee, and

whether it was properly superintended by the Head Office ?

Answer.—I sent returns every week to the Head Office. I was only once called on to report specially as to all outstandings on advances made by the Branch. It was about June 1864. The weekly return showed all the business done, and the names of the parties. It did not mention securities. This is a form of the weekly return (A 80). I became Inspector of Branches in 1865. My duties were to inspect the Branches periodically. I had no special instructions from the Head Office, either written or verbal.

President.—You were left to your own sense of what was right ?

Answer.—Yes. I did not visit all the Branches. I never visited the Branch at Hydrabad in the Deccan. It was at a great distance. There was no occasion to visit it. All the transactions there were in perfect order. The bills were all duly met in Bombay. There were no past due Bills and no bad debts of any kind.

When proceeding to visit any Branch, I did not receive any special instructions. There was so much wrong in many the Branches that it took all my time to inspect them. I used to converse with the Secretary about them. He used not to give me particular instructions as to the best course to pursue. I had instructions in one case. Immediately after I came from Kurrachee, Sewmortee Ainapoorce got into difficulties, and the Secretary sent me up-country to make the best arrangement I could with the view of securing the Bank. I was told before I left to speak to Premchund about it, and the Secretary's opinion was that it would not do to sue the man, and that giving time would be the best. Premchund was of the same opinion, and he confirmed the Secretary. That is the only case I can remember in which I had any special instructions. Previous to my visit to the Kalbadevi Branch, in September 1866, I only inspected that Branch in matters of account. I did not enter into the propriety of any discounts or loans.

President.—Why did you abstain from doing that ?

Answer.—Because that Branch was specially under the Head Office. I was not told that that was not to be part of my duties, but the Agent was daily in communication with the Head Office and the Secretary in reference to advances and loans at the Branch.

President.—You treated it in fact as an Office under the Secretary himself and therefore beyond your jurisdiction ?

Answer.—That is so.

President.—Was it originally intended that discounts and advances should be made at the Kalbadevi Branch ?

Answer.—I cannot answer that. I searched for the instructions when the Branch was opened, but cannot find any. The Branch did that business soon after opening in 1864. The discount operations there ceased almost entirely about the middle of 1865. A restraint was put upon the Agent at that time.

President.—Can you refer to the order or letter restricting the Agent ?

Answer.—There were several letters sent to the Agent. On 29th March 1865 there was a letter sent to the other Branches, and another on the 21st April 1865 (A 81) to the Branches generally, including the Kalbadevi Branch. (Refers to the copy of the letter.)

President.—I believe you were sent to inspect the Kalbadevi Branch in August or September 1866 ?

Answer.—Yes. This is a copy of my Report entered on the Board minutes. (Vide ante, p. 97, for extract from this Report, marked A 82.)

President.—Whose influence do you refer to by the words " unfortunately hitherto through influence which has since become known to the Directors, &c." ?

Answer.—I referred to Premchund's influence. I had nothing in writing to show it me, but my suspicion was strong against him. It was known that he had been authorized by the Head Office to sanction loans, and there was one particular transaction which must have satisfied the Directors that he had used his influence improperly. I refer to a loan made at the Head Office to Khuttow Khemjee. I suspected he had done the same thing at the Kalbadevi Branch. I had no conversation with Mr. Bullock on the subject. I did not inquire into any particular cases. I did not enter into the particulars of any of the discounts and loans. I have nothing to add to my Report.

President.—I believe it was your opinion that if the Kalbadevi Branch had been only used to receive deposits, it would have been very useful to the Head Office ?

Answer.—Yes, that was my opinion. I had something to do with carrying out the arrangements of the twenty-five lakhs loan to Premchund. I was employed to get the Bond signed by the other Banks —the preliminary Bond. I received the Bond for that purpose between the 10th and 16th May 1866. I fear that I cannot fix the date with greater certainty. I have on previous occasions endeavoured to ascertain it, and could not succeed. The Bond is, I believe, in the High Court. It was a preliminary Bond, an engagement by the Banks to sign the more formal one when ready. I went first to the Asiatic Bank. It was signed there by Mr. Morrison. I went next to the Bank of Hindoostan. The Bond was there signed by Mr. Thomson, the Manager. I went next to the Chartered Mercantile Bank. The Agent, Mr. Campbell, declined to sign the Bond, because I could not satisfy him that the Bank had received all the securities that had been stipulated for.

President.—Do you mean all the securities, or securities of the value stipulated for ?

Answer.—I mean that the security which had been agreed upon was not complete.

I went next to the Commercial Bank. Mr. Beattie,' the Agent, declined to sign for the same reason. I then went to the French Bank, where the Agent declined to sign for a similar reason. I then went to the Oriental Bank, where the Agent refused to sign for the same reason. No reason was given to me at the Bank of Bombay why the Bond had not been sent round before. I believe the reason was that Mr. Kelly was ill, and unable to prepare the Bond, and that Mr. Manisty, his partner, had had to prepare it afterwards.

The jewels were given to me on the 30th April 1866, for the purpose of being valued. All the jewels that ever came into the Bank I believe were given to me. A gentleman from Mr. Rosselet's came to examine them. He was a foreigner. He said he had not great experience in such matters. He was a jeweller, that is why he was selected. He left Bombay immediately afterwards. He came to the Bank to value the jewels on Tuesday the 1st May. I returned to Bombay on the 29th April ; on the 30th the jewels were given to me, and they were valued on the 1st May. No one else was present when he examined them. He expressed a not very favorable opinion of their value. I knew that they were reported to be worth not far short of twenty lakhs. His opinion was that they were not worth more than twenty-five or thirty per cent. of the value which I understood them to have.

President.—What did you feel it your duty to do ?

Answer.—He had only gone over one or two of the jewels, and finding them to be valued at so much less than I expected, I closed the jewel case, and went downstairs with a view of telling the Directors what this man's opinion was. I went into the Secretary's room which leads to the Board room. The Directors were sitting at the time to the best of my recollection. In the Secretary's room I saw the Secretary and Mr. Tracey. I stated what this man's opinion was of the jewels, and stated what the valuation of the jewels was as compared with what they were led to believe. Mr. Tracey expressed his disbelief in the man knowing what he was about, and I returned to complete the examination. I do not remember that Mr. Robertson said anything. I cannot state posi-

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Mr. W. Fraser.

tively whether he and Mr. Tracey spoke to each other about it.

President.—Did they tell you to return and finish the valuation?

Answer.—I do not know that they did, but I did return and complete it.

President.—Subsequent events have shown that this gentleman was tolerably right?

Answer.—Yes. I thought I had discharged my duty by speaking to the Secretary and a Director. I did not think it necessary to go to the Board and report to the other Directors. I do not recollect telling Mr. Lidderdale subsequently that the jewels were of much less value than what was supposed. Mr. Robertson never referred to that conversation again to me, nor did Mr. Tracey or any Director. I was present during part of the time when Mr. Crawford afterwards valued the jewels. I do not remember the jewels being valued by Hurryvullubdass Calliandass. I cannot state the exact amount of Mr. Crawford's valuation. I think the jewels have realised altogether two and a half lakhs.

I am referred to the first Board Minute of 27th April 1866. The addition referring to the promissory note is in my handwriting. I made it by Mr. Robertson's direction. When I made the addition Mr. Lidderdale had not signed the Minute. I made the addition on the 8th August 1866. I wrote small because the words "meeting adjourned" were written at the foot of the Minute before I made the addition. I do not know why the Minute had been left unsigned so long. Mr. Robertson, I think, said it was an oversight on his part not having had it signed. I see that the Minute on the 1st May states that this Minute with others had been read and signed. I volunteered to take the Minute to Mr. Lidderdale's house to get it signed. Mr. Lidderdale had left his office, and was going to England next day. I saw him at his house, and he read it over and signed it. He put his initials to show that the addition had been made before he signed. Not a word passed between me and Mr. Lidderdale about his signature being omitted. I never heard any reason assigned for the Minute being left unsigned so long. It is usual to have the Minutes signed at the next meeting.

I have speculated a little in shares. I had an allotment of one share in the Victoria and Colaba Company. The Promoters of the Company were, I think, Rustomjee Jamsetjee Jejeebhoy and others. I did not apply for shares in the Company. The allotment came to me through Rustomjee Framjee, of Kurrachee. I had one Trombay share allotted to me. The Promoters of the Trombay Company were I think Mr. Gubbay, Mr. Beren, and others. I had no other allotment of shares. I bought shares in the Elphinstone Land and Press Company, and the Bank of Bombay. I had ten Asiatic Bank shares, about ten of the Old Financial Association, twenty-two of the National Bank of India, which I hold now, and ten of the Commercial Bank, which I also hold, unfortunately. All the shares which I bought were purchased with my own money. I did not borrow any.

President.—Have you any other information which you can give us about the Bank?

Answer.—No, I believe not. I know nothing about Mr. Blair's speculations. Mr. Robertson told me in the beginning of 1865 that he expected to make a lakh of Rupees out of shares which he held. He did not tell me where he got the money to buy the shares with. I know that Mr. Maclean had shares in the Old Financial Association. I never heard that he had any joint speculation with Mr. Watson of the Eastern Financial Association.

To Major Innes.—I examined the returns of the Branches. They were examined at the Head Office. No examination was made as to persons having obtained money at Branches and also at the Head Office. I do not remember that there was any restriction at the Branches as to lending on one name.

To Mr. Melville.—The Branches were generally opened by the Secretary in person. Mr. Blair has visited the places in which Branches were, but not in order to inspect the Branches. He was brought into communication with the Agents, and so had the opportunity of giving them any instructions.

To Major Innes.—Does the fourth rule of the printed Rules and Regulations for the Agents (A 69) refer to Promissory Notes on a single name under the word "Bills"?

Answer.—I consider them included under it.

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Balkissondass Vizbhoocundass.

31st July 1868.

BALKISSONDASS VIZBHOOCUNDASS, affirmed.

I was the Shroff of the Kalbadevi Branch of the Bank of Bombay. I was appointed on the recommendation of Mr. Cowasjee Jehangheer. I had been to see him, and he told me to go to the Bank of Bombay. Mr. Blair introduced me to Mr. Robertson, and he gave me a note to Mr. Bullock. I was appointed on the 1st July 1864. The Branch opened in June 1864. I obtained the appointment entirely through Mr. Cowasjee Jehangheer's influence. Davidass Luckmeedass is the father-in-law of my son. I am not otherwise connected with Davidass Luckmeedass. I did not interfere in any way as to Davidass Luckmeedass' loans from the Branch Bank. He obtained the loans on security of shares. They have turned out worthless, but there was a large margin at the time when they were taken as security. Davidass and Jumnadass were my sureties to the Bank of Bombay on my being appointed Shroff at the Branch.

President.—Under those circumstances you would have been happy to aid them?

Answer.—Yes, but it was not in my power. I never spoke to Mr. Bullock, or to Mr. Blair, or Mr. Robertson, in their behalf. I have no relationship with Jumnadass. He was Davidass's partner, and Davidass asked him to become the other surety. I made no payment to them for their kindness. They expected no return, and I did not give any. I know Ramdass Toolseydass. He was a Book-keeper in the service of Davidass Luckmeedass. I believe Mr. Bullock knew that Ramdass was a Book-keeper, his name was taken to comply with the Bank's rule by which two names were required.

President.—Did you not know that the rule was for the security of the Bank?

Answer.—Yes, it may be so. Ramdass was receiving forty Rupees a month, but he and his brothers were well off. They were beginning to build a house. I am positive that I told Mr. Bullock that Ramdass was Davidass's Book-keeper. It was not my business to notice the matter, and Mr. Bullock knew it perfectly well. I never entered into any kind of transaction with Davidass and Jumnadass, except that of the suretyship, nor have any of my relations.

Before large loans were granted at the Branch, Mr. Bullock use to tell the parties to call again, and obtained time to consult some one. Applications for small discounts he disposed of at once. He consulted me sometimes about small loans. He never consulted me as to advances to Davidass or Jumnadass. I was consulted as to small loans, and Mr. Bullock used to take a memorandum of what I said as to the credit of the parties.

31st July 1868.

MR. BULLOCK, recalled.

President.—You told us at your last examination that you never received any instructions from the Head Office.

Answer.—I referred generally to instructions when the Branch was opened, as to the general conduct of the Branch. I saw Mr. Blair almost every day. I used to go to the Head Office after the Branch Bank had closed at 4 o'clock, and sometimes, on special occasions, in the morning, before going to the Branch Bank.

President.—As a rule you went there almost every day, did you you not?

Answer.—Yes.

President.—Then you received instructions from Mr. Blair from time to time at those visits?

Answer.—Yes, very likely.

President.—I think you said that you were not in the habit of making any report to the Head Office; probably you were misled by my using the word "report"; but you were in the habit, were you not, of making constant returns of the business done at the Head Office?

Answer.—Yes, I was. The returns were made weekly. I do not remember that they were ever the subject of conversation between me and Mr. Blair, or between me and Mr. Robertson. I believe it was orignally intended that discount business should be carried on and advances be made at the Kalbadevi Branch. The first day the Branch was opened we purchased hoondies. I did not receive any instructions upon that point.

President.—Had you any instructions given you as to whether you should advance without security, or any other security than promissory notes, or whether you should advance on land or on shares?

Answer.—At that time I believe I had no instructions whatever. I understood the Branch to be opened for business in the same way that the other Branches had been opened.

President.—Had you any instructions as to the length of time you might discount bills for?

Answer.—No.

President.—Is it not a fact that discounts were granted for very long periods for some time after the Branch was opened?

Answer.—No, we never granted on more than a three months' bill. Never for nine months.

President.—You do not remember a transaction at your Branch in which a loan was granted for more than three months?

Answer.—A loan was never granted for more than three months.

President.—Was there no limit fixed beyond which you could not discount?

Answer.—No, not at that time; not at the commencement.

President.—Did you not receive any instructions as to consulting the Secretary?

Answer.—No.

President.—Am I to understand then that your visits to the Secretary were rather to report what you had done than what you were about to do?

Answer.—No. I do not think so; they were generally made with a view to ascertain whether it was desirable to make advances to particular parties, and I frequently saw him when a renewal took place.

President.—Then in point of fact you did consult Mr. Blair very largely as to the parties to whom you should advance, and to whom you might grant renewals?

Answer.—As long as Mr. Blair remained there I did. Mr Blair I believe was not many months at the Head Office before leaving for England. He was away opening another Branch, if I remember rightly, somewhere at the end of 1864. I remember receiving a letter dated the 19th December 1864. I find a copy of it in the Branches' Letter Book, number 34.

Witness turns to the Letter Book and reads as follows:—

"To the AGENT of the BANK of BOMBAY, KALBADEVI.

"I observe that your fixed loans have increased this week to Rs. 2,50,000. Will you be kind enough to say on what information those advances have been granted; the same remark also applies to your bills discounted, which have also increased fully one lakh. Please mention your rates of fixed loans and bills discounted in your statement.

Yours &c.,
D. ROBERTSON." (Marked A. 83.)

I am referred to page 331 of Branch Book number one, and find there a copy of a letter dated the 23rd of December 1864.

Witness then read the letter as follows:—

"To the AGENT of the BANK of BOMBAY, KALBADEVI.

"Dear sir,—We observe that for some time back your drawings on Head Office have been very heavy. Please before making any large drafts to give notice of your intention to do so, and state for what purpose they are required. We hope these larger demands on us are not paid out in the way of advances by private bills, and such bills as you do take we trust you are satisfied from your information that they are perfectly safe. Before taking any large discounts that may be proposed to you, you ought to refer to Head Office; from your proximity to Head Office this can be easily done.

J. D. ROBERTSON." (Marked A 84.)

I am also referred to a copy of a letter dated January 10th, 1865, which is as follows:—

"To W. BULLOCK, Esq.

"Dear sir,—We observe you yesterday granted a draft on the Head Office in favour of Nowrojee Ardaseer Davur for Rs. 96,900. As this appears to be a discount of a bill for one lakh at the ruling rate for three months, we will feel obliged, if our assumption is correct, by your informing us on what security you have granted this advance?

"Before discounting bills of considerable amount, we wish you to refer to Head Office, as we are averse to the granting of discounts at Head Office and also at local Branches.

I am, &c.,
D. ROBERTSON." (Marked A 85.)

I am referred to the Private Letter Book of the Bank at page 58, where a copy of a letter appears as follows:—

"To the AGENT, BANK of BOMBAY, KALBADEVI.

"9th February 1865.

"Dear sir,—We beg to refer you to letters of 23rd December and 10th ultimo, in both of which you were told that before discounting bills of considerable amount you ought first to refer to Head Office for instructions regarding them. On looking into your states of 21st and 28th ultimo we see you have failed to give way to our wishes.

"In our letter of 10th ultimo we particularly instanced a discount to Nowrojee Ardaseer Davur of one lakh, and you were then told that the Bank was averse to opening a discount account with a constituent at your Branch when the same party already had a credit at Head Office. Notwithstanding this, we now observe you again discounted a lakh to Nowrojee on the 27th ultimo.

"You also appear to have discounted half a lakh to Dr. Bhau Daji on 25th ultimo. Please inform me

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Mr. Bullock.

if you were not aware that that party was in the habit of discounting at Head Office, and might have a considerable sum under discount when you took his note for Rs. 50,000.

"We observe a discount for Rs. 20,000 to Byramshaw Dhunjeebhoy on the 19th ultimo. This bill was refused discount in Head Office on account of the obligant's having already quite sufficient, and we will thank you to inform us, keeping in view our letters of 23rd December and 10th ultimo, on what authority or security you did this bill. A discount to Bhicoo Sazba and W. A. Hurst of Rs. 30,000 appears to be an advance not in accordance with our wishes, as expressed in our letters already referred to.

"We have been told to-day that you have discounted a note for Rs. 25,000 to Adam Allee Sultan Allee and Luckmanjee Keechabhai. This note was refused here a few days ago, and we will feel obliged by your letting us know on what security or on whose information you felt warranted in doing this. We may mention that the note by these parties has been repeatedly refused here. Please also to inform us on what security you discounted Rs. 1,15,000 to Hurchund Hurshunker and V. Tuback on 24th ultimo.

"We notice you are in the habit of discounting a number of small bills at rates considerably under what we are charging in Head Office, and it is as well to remind you that there can be no discretionary power granted to you to do such bills under the regular rate, even although their currency is short. We will feel obliged by your giving us the information we desire regarding the foregoing discounts, as early as possible, and also your reason for not acting on the spirit of the instructions given you.

"We notice your balance at Indore is at present very heavy. Please arrange for having this reduced immediately.

I am, &c.,
W. RODGIE." (Marked A 86.)

I am referred to the copy of another letter dated February 22nd, 1865, which is as follows:—

"To the AGENT, BANK of BOMBAY, KALBADEVI.

Dear sir,—I am in receipt of your favour of 11th instant in answer to our letter of 9th.

"We are glad to learn you availed yourself of the reliable information to be obtained from Mr. Premchund Roychund, before you discounted the major part of the bills referred to in our letter mentioned above. However, in the case of those parties doing business in the Fort to whom you have granted advances, Mr. Premchund or any other Director cannot be aware, when giving opinion, what amount the parties have current at the time with the Head Office, and thus excess of credit is apt to be obtained at your Branch when the full amount has already been drawn from Head Office. You will therefore please to discontinue giving advances to any one in the habit of transacting business in the Fort, and refer such applicants to Head Office.

"All advances of this description now current at your Branch you will be good enough to have run off as they mature. The other instructions conveyed in our letter of the 9th instant we shall thank you still to carry out.

"Your intention to send us a list of the shroffs and merchants doing business in the native town we think is very good, and we will thank you to forward it as quickly as possible.

"It would be as well to keep in view that the primary object of establishing the Kalbadevi Branch was for the collecting of deposits, and we think that, by prudent endeavours, and by offering the shroffs and merchants of the native town the privilege of current accounts, your deposit business might be largely increased.

"We will thank you to continue the reduction of your Head Office balance.

I am, &c.,
W. RODGIE." (Marked A 87.)

I produce a copy of my reply to the letter of 19th December 1864 (marked A 88), it is as follows:—

"*Bank of Bombay, Kalbadevi Road, Bombay, 22nd December* 1864.

"To the SECRETARY and TREASURER, BANK of BOMBAY.

"Dear sir,—In reply to your favour dated 19th instant, I beg to state, that our Fixed Loans have been for the most part, and are now, exclusively granted upon Government paper. In one or two cases, in which we accepted collateral securities, shares in the Bombay Reclamation Company, Deposit Receipts of the Asiatic Bank, &c., with private bills, we included these transactions with our Fixed Loans, but as they fall due we do not renew them, and collateral securities will, in future, be taken with private bills for safe custody, in the manner in which this is done at Head Office.

Our discounts have increased under the present demand for money; except for short dates at ten per cent., nothing is done under eleven; the rate shall for the future be particularized with each bill as desired.

I am, &c.,
(Signed) W. BULLOCK,
Agent."

I am referred to the Branch Book number 6, page 369, I find there a letter dated the 5th of July 1865, it is as follows:—

"To the AGENT OF THE BANK of BOMBAY, KALBADEVI.

"Dear sir,—Regarding the sundry large loans which have been discounted at your Branch on the recommendation of Mr. Premchund Roychund, we would advise that you request that gentleman to assist you not only in recovering the amount due, but also to enable you to form some idea of the ultimate loss. Premchund Roychund has stated his willingness to assist in the recovery of any loans passed during the time he sat at the Board.

I am, &c.,
W. RODGIE." (Marked A 89.)

I look at number 1933 of the Branch Book, vol. 5, page 411, at a copy of a letter dated the 28th of March 1865, which is as follows:—

"To the AGENT of the BANK of BOMBAY, KALBADEVI.

"Dear sir,—We will feel obliged by your exercising at present the greatest amount of caution in your business generally, and in particular avoid all transactions with parties doing business in the Fort. Those who call on you may easily be referred to Head Office; in the case of all renewals and special bills we will be glad that you refer to us before renewing or discounting.

I am, &c.,
W. RODGIE." (Marked A 90.)

President.—Then there is the letter on the 21st of April 1865, which Mr. Fraser referred to, telling you to discontinue business to a great extent.

Mr. Bullock then read the letter referred to, which was as follows:—

"To the SUB-AGENT, BANK of BOMBAY.

"Dear sir,—Please note for your further guidance that without the sanction of Head Office you are not authorized *for the present* to advance on one party's name more than Rs. 20,000 at a time, and even for this amount we wish you to obtain collateral security, if at all possible.

I am, &c.,
WILLIAM RODGIE." (Exhibit A 81.)

Mr. Bullock continued.—I have do doubt but that it was chiefly under that letter that the business of the Branch was reduced; practically however a large portion of the business had then been reduced,

for the Bank itself had been very largely reducing it.

President.—I am now going to take you through the greater portion of the loans of the Kalbadevi Branch, but before I do so I want to ask you a few questions about Balkissondass Vizbhookundass; he was a Shroff, was he not, employed at the Branch?

Answer.—I do not know by whom he was appointed, or by whose influence he obtained the appointment. I knew that he was connected with Davidass Luckmeedass. I can scarcely say at what date I came to know it, but I think I must have known it at a very early stage of his connection with the Branch. He did not interfere in any way with the granting of loans to Davidass Luckmeedass. I consulted him very little as to the credit of parties in the bazaar.

President.—Did he tell you that Ramdass Toolseydass was a Mehta of Davidass Luckmeedass?

Answer.—I am not sure that he told me, but I knew that he was.

President.—You knew that the man was a Mehta; then how came you to take him as a surety?

Answer.—The circumstances were these: the Branch had made an advance on the security of certain shares, and about the time when those bills became due, it was apparent to us that most of these men, brokers and others with whom the Bank had had large transactions, were irretrievably gone, unless the price of shares went up; these advances for the most part were to men who had acquired very large gains during the year 1864, which were invested in the purchase of shares, and the margin between the market price and the rate at which they had obtained the advance was for the most part an investment of their own money.

President.—Why was that a reason for taking a Mehta as a surety for the renewal of the loan and making further advances to him?

Answer.—These men, finding that position of things in March 1865 (I don't know the exact date, but it was probably from March till May), were unwilling or unable to take up their bills owing to the shares having then fallen, and the only way in which we could get them to re-arrange the bills was by a renewal and taking as much more in the way of security and payment in cash, as we could obtain.

President.—I don't see that that is any excuse for getting sham security like that of Ramdass Toolseydass?

Answer.—On one or two occasions men who had borrowed money informed me that they were not principals in respect of the transactions, and they gave me the names of other parties, and by their paying a certain amount we brought the advances upon the shares into a closer relation with the market rate of the day; and the bills were on two or three occasions renewed.

President.—It is true that there has been one renewal of this bill; upon January 7th, 1865, the bill was granted, and on February 10th, one month after the shares were deposited, the original transaction was renewed.

Witness.—It is quite likely I think that that was a bill of the time I am now referring to. I think it is.

President.—But the original loan was made to Davidass Luckmeedass and Ramdass Toolseydass?

Witness.—In that case it must have been on the security of shares, and at that time I should not have been aware of his being the Mehta of the other man.

President.—But Balkissondass said he came and told you?

Answer.—I certainly knew that he was a Mehta, but at what time I knew it I cannot tell.

President.—It may be satisfactory to yourself, but it is not a satisfactory reason to me why you should have taken a Mehta as security for the original debt of Davidass Luckmeedass.

Witness.—The bill at that time was secured, I have no doubt that it was an advance on shares; when advances were made on shares there was certainly less care taken as to the parties, more especially in a case like this where one was considered a good party, than when the bills were clean, and without other security.

President.—You have a list of all the outstanding debts at the Kalbadevi Branch I believe?

Witness.—I believe this (producing a document) contains a correct list, arranged alphabetically. The first transaction in the list, that of a loan to Atmaram Madhowjee and Burjorjee Rustomjee of Rs. 2,50,000, was an advance upon shares of the Commercial Bank. A sum of Rs. 25,000 was paid on renewal on the 24th March 1865. I should say that I am obliged to accept this list without having verified it.

President.—You obtained the list from the Bank?

Answer.—Yes.

President.—I believe there were large sums outstanding against these parties; did you inquire at the Head Office what amount was outstanding there against them?

Witness.—At this date I believe neither of those parties had a debt at the Head Office, that is, at the time this loan was first granted.

President.—That is not the fact; at that time Atmaram Madhowjee had nearly twenty lakhs outstanding against him. When you advanced Rs. 2,25,000, did you inquire at the Head Office what was outstanding against Atmaram Madhowjee?

Answer.—No.

President.—Were you not instructed in some of those letters which have been read to make these inquiries?

Answer.—The original advance was on the 16th December 1864, and there is nothing as far back as that; there were no instructions at that date.

President.—But were you not in constant communication with Mr. Blair? Did you inform him that you were going to discount a bill for Rs. 2,25,000 in favour of Atmaram Madhowjee and Burjorjee Rustomjee?

Answer.—It is difficult for me three and a half years afterwards to speak of each particular transaction.

President.—Should you have entered upon such a transaction as two and a half lakhs without consulting Mr. Blair?

Witness.—I do not think I should without consulting some one.

President.—How was it you made an advance in December 1864 on shares, when the Secretary himself had not power to do so?

Answer.—I am not aware of any such regulation.

President.—Are you not aware that upon the 6th of August 1863 there was an order made that there should be no advances upon shares except by bringing the matter before the full Board?

Answer.—No.

President.—And never heard that power was given from the 12th April 1865 to advance on shares?

Answer.—I believe the Head Office advanced upon shares a very long time previous to that.

The President.—Did Mr. Blair tell you to advance on shares? Be cautious; Mr. Blair will have an opportunity of having all this brought before him.

Answer.—I don't remember any statement on his part to that effect to advance on shares.

President.—Well, how came you to do so when the Secretary himself did not as a general rule advance on shares? upon what authority did you proceed?

Answer.—Generally I proceeded to do the business which I understood had been done at the Head Office; that was my general authority in the matter.

President.—But as a matter of fact it was not the style of business done at the Head Office. There may have been a few exceptions.

Answer.—I must have taken my rule from the exceptions.

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President.—Then what exceptions do you know of Mr. Bullock? You were the Agent of this Branch, and you ought to be able to tell us better upon what principles you conducted it.

Answer.—I have no doubt but that I understood at the time that advances were made by the Bank, for which similar securities were taken.

President.—Do you mean to say that you communicated with Mr. Blair, and that he told you to make such advances?

Answer.—I have no doubt but that Mr. Blair told me.

Mr. Melvill.—There was only one single instance before the 1st of December 1864 of lending on shares at the Head Office.

Witness.—That is a matter of some surprise to me, but you have had access to the books for the purpose of ascertaining, and I have not.

President.—It seems very singular that you at the Branch should be carrying on a style of business which was not pursued at the Head Office; what led you to do that?

Answer.—My impression is that large advances were made at the Head Office on shares.

President.—That is not the fact; you must know upon what authority you carried on that course of business?

Answer.—Generally, as I have stated before, I followed the policy of the Head Office; in these particular cases which seem to be exceptions to that course I have some difficulty in giving an explanation.

President.—Did Mr. Blair know that you were advancing on shares?

Answer.—He must have known it.

President.—No, that does not follow; for the returns you sent in do not show the security.

Witness.—The monthly returns do. Monthly returns were to the best of my belief made at the time.

President.—To the best of your belief! You must surely know. We have not seen any monthly returns; are you quite sure that securities were mentioned in the monthly returns?

Answer.—Yes.

President.—Can you remember who recommended you to grant this loan of Rs. 2,50,000 to Burjorjee Rustomjee and Atmaram Madhowjee?

Answer.—I do not remember. It is three and a half years ago, and it is extremely difficult to remember what took place after the time that has elapsed since the loan was first granted; I find it extremely difficult to follow the circumstances under which it first originated.

Mr. Melvill.—Have you no papers or documents that will assist your memory?

Witness.—No. I did not keep an Application Book. I had a record of bills bought, and of the loans and discounts which I granted, but I have not had papers in my possession for a very long time. I kept them at my house.

President.—Did Mr. Blair approve of this transaction with Burjorjee Rustomjee and Atmaram Madhowjee?

Answer.—I never heard of any disapproval having been expressed of it.

President.—The loss upon that transaction Rs. 2,18,950?

Answer.—Yes. But with this must be taken the loan for five lakhs on the Elphinstone Company's shares. An offer of compromise was made which would have given the Bank fully nine or ten annas in the rupee, and the Bank would have escaped all liability in respect of the Commercial Bank shares. I endeavoured, as Burjorjee told you the other day, to carry out the compromise in respect of these bills, and the matter, I believe, was referred to the Directors; I do not know who they were,—but I know it was in the hands of one Director, Cowasjee Manockjee. I saw Mr. Robertson daily for some time. Burjorjee subsequently, finding that there was no chance of carrying out the compromise, employed his Solicitors, Messrs. Dallas and Lynch, who wrote a letter to the Bank in respect of these loans; and the reply, I believe, was that the Bank declined to accede to his proposal. I believe that proposal, taking the price of shares at that day, would have given the Bank at least nine or ten annas in the rupee on the whole claim, and there would not have been, as I said before, any further liability upon the Commercial Bank shares. The difference between the acceptance of that compromise and the loss which has now resulted amounts at the very least to nearly four and a half lakhs. Speaking for myself, I repudiate all responsibility, it having been withdrawn entirely from my own control. That has happened with a great number of these bills.

President.—What do you remember about the loan of five lakhs to Burjorjee Rustomjee and Davidass Luckmeedass?

Answer.—That loan of five lakhs was negociated with the Branch, and granted on the recommendation of Premchund, on the security of Elphinstone Company's shares and Back Bay shares. Davidass Luckmeedass was one of the class of men I have been speaking of.

President.—Was he a surety in this transaction?

Answer.—Yes.

President.—He must have been admitted as a mere nominal surety, for there was a very large amount outstanding against him at that time.

Witness.—Yes, no doubt, a very large sum.

President.—How was it Premchund recommended that transaction to you?

Answer.—Of my own knowledge I am unable to speak positively, such a long time has elapsed. Previous to the time when the bill was brought to the Bank, I know nothing whatever as to what the relations of the parties were.

President.—But you tell us it was brought to you recommended by Premchund Roychund; that either has a meaning or it has not. Premchund at that time was a Director of the Bank.

Answer.—He came, if I remember rightly, to the Branch with Burjorjee, and requested that the loan should be granted upon these securities.

President.—That was on the 1st February 1865. Do you mean to say that Premchund told you you might advance on shares at that time?

Answer.—Yes, I have no doubt about it.

It was my regular practice long before April 1865 to advance on shares. That was known to Premchund, but I am unable to say whether or not it was known to any of the other Directors.

President.—We will pass on to the second transaction in the list. Atmaram Madhowjee and Toolseedass Purmunandass gave a promissory note for Rs. 90,000, and calls have been paid on shares. What do you recollect of that transaction?

Answer.—This loan is one of the character to which I referred some little time since. It was a loan on shares. The loan was originally for Rs. 1,65,000, and was granted to Toolseedass Purmunandass. He was one of the men, to whom I have referred, whose means were swamped. This was on the 17th May 1865 when this bill had fallen due, and it was very plain that, unless the price of the shares went up, we should lose the money, as nothing could be got from him. I therefore made him disclose his principal; the principal in that particular case turned out to be Atmaram Madhowjee, and upon his paying as much as I could get from him, and depositing further securities, the bill was renewed as it stands. It was renewed for Rs. 90,000 instead of Rs.1,65,000, and against this we held two shares in the Victoria Land and Press Company and two shares of the Old Victoria Reclamation Company, upon which it was expected that there would be a further dividend of Rs. 20,000 or Rs. 30,000 per share, but the Company went into liquidation, and what we got was something less than that, very much less; other securities we received became also much less than

they were taken for at the time that this renewal was made.

President.—How was it then that there was so great a loss as Rs. 96,900? There was Rs. 86,000 written off as bad in February 1865, but the balance outstanding at the end of June was Rs. 96,905.

Answer.—The Asiatic Bank shares of course were valueless, and the Victoria Press shares realised very much less than it was expected they would.

President.—Suppose you did renew that (it is not as objectionable as some of the other proceedings), what steps were taken to recover this large balance?

Answer.—We took proceedings against Atmaram Madhowjee, and arrested him for one of his debts to the Bank. We tried to recover something from him, but ultimately the Bank was obliged to accept, or thought it desirable to accept, a promissory note from his father, who then had no obligations, or I think not.

President.—Yes, he has outstandings at this moment, and on the 31st of March 1865 he got a bill out for Rs. 30,000 with Atmaram and Davidass from the Head Office.

Answer.—He was a man who owned large property; it was only after very great difficulty that we got him to sign the promissory note, and to deposit some title deeds of property at Sion. I left the matter in the hands of the Bank Manager. I spoke to Atmaram Madhowjee some weeks ago about it, and he said that the title deeds were still at the Bank.

President.—The next transaction is in the names of Bharmall Parbutt and Co., and Macculloch, John and Co.; a discount on March 15th, 1865, for Rs. 25,295; how long was that original loan granted for?

Answer.—It was a sixty days' bill of Exchange drawn in England, a trading bill drawn by one party and accepted by the other. There was a great loss upon the transaction; as both those parties have failed. The bill was brought by Bharmal Parbutt. It is not extraordinary that a trading bill of that kind should be brought to my Branch rather than to the Head Office. These men often had obligations falling due at the Branch on hoondies drawn up-country. They would often come to the Branch with hoondies and bills of exchange, and save themselves the trouble of going to the Fort. Bharmall Parbutt was the holder of this bill. I do not know for what purpose it was discounted.

President.—The next debtors on the list are Dr. Bhau Dajee and Narayan Dajee. You will see that they are debited with a sum of Rs. 50,000. Do you remember that in the letter which was written to you on the 9th of February 1865, and which you read just now, the Head Office blamed you for having discounted that bill on behalf of Bhau Dajee?

Answer.—Yes. I had not called at the Head Office to see whether there was any discount there.

President.—The Directors had objected to your discounting a bill in the name of Bhau Dajee, and yet on the 16th of February, seven or eight days after you got that letter, you discounted another promissory note in the same names for Rs. 25,000.

Answer.—That was an advance on shares, and there was little or no loss, because the Back Bay shares which we held on it sold at Rs. 10,000 premium.

President. — There is at all events a loss of Rs. 5,164 upon that transaction; but I want to know why you discounted that second bill: did you take it to Mr. Blair for his sanction?

Answer.—It is impossible for me to remember at this time whether I did so or not.

President.—Upon the first transaction, the discount of Rs. 50,000, there has been a very considerable loss —a sum of Rs. 37,500 was remaining outstanding, after allowing for Rs. 11,927 dividend paid on the 10th of June?

Answer. — A dividend has been paid since then.

President.—Then the loss has been reduced on that transaction; you told us last time how it was you were induced to grant that loan, do you remain of the same opinion?

Answer.—I do not alter what I said then.

President.—I wish to ask you if Premchund advised that matter himself, or whether you referred to him, for Bhau Dajee has stated in his evidence that Premchund came to you and arranged the loan.

Answer.—My impression is that Premchund saw me and told me he would send him to the Branch; I had already had an application from Bhau Dajee, and shortly after I met Premchund, and he told me that he had sent Bhau Dajee to the Bank to get a loan for this amount.

President.—We will take the next transaction, an advance to Burjorjee Rustomjee of Rs. 15,000 on a promissory note.

Witness.—Security was taken of his property to the estimated value of Rs. 20,000. This loan was granted to pay calls upon one hundred and sixty shares in the Commercial Bank. In the first loan on the list calls were due by Burjorjee upon those shares held by the Bank in respect of the first loan. The title deeds of his property appear on the list to be held in respect of this particular bill, but that is not necessarily the case. The title deeds were deposited on the date of the loan, the 2nd September 1865. But this was not an advance upon landed property, it was simply taken over by me to secure the Bank against loss. It was not taken for this particular debt, but in order to secure an outstanding debt. I believe it is so expressed in the document which he signed. The security certainly was not directly taken to secure the Rs. 15,000. It was desirable to close at once, and I took a promissory note for the amount. The bank had to pay the call on the Commercial Bank shares.

President.—Did you take any legal advice about the matter?

Answer.—The property was conveyed to the Bank by the Bank's Solicitors.

President.—The next debt is one of Rs. 20,000 advanced to Cursondass Luckmidass and Purbhoodass Mugonbhoy. There is, it appears, a total loss upon that, no securities whatever having been taken.

Witness.—This was a purchase of native hoondies. These men at that time had credit in the bazaar for ten times the amount at least. They failed almost immediately afterwards. The hoondies were purchased entirely on my own responsibility. Such Information as I could get from the bazaar and Branches I availed myself of. I may state that from June 1864 down to the beginning of 1865 my purchases in this way probably amounted to about one crore of rupees, and in respect of those transactions this is with one exception the only loss.

President.—Next we come to the one lakh granted to Davidass Luckmidass and Ramdass Toolseydass. Have you anything more to say about that?

Witness.—It was an advance on Royal Bank shares. There seems to have been a total loss there. I see the whole sum was written off as bad in February 1867, and also Rs. 4,000 paid for calls on shares. The transaction cannot have ended in a total loss; the Royal Bank Shares were never worth less than Rs. 50 a share. I think this statement must be incorrect; there were three hundred and thirty-three shares of the Royal Bank, and three hundred and ten of the Central Bank; it is, therefore, impossible that the transaction could result in an entire loss. The Central Bank has gone into liquidation, and its shares have always been worth something; and the Royal Bank's shares were never worth less than Rs. 50 per share.

President.—The whole sum was written off as bad in February 1867.

Witness.—It may be that calls were paid, and that might account for it.

President.—Or the calls might not have been paid and the shares therefore forfeited.

Witness.—No, that is not the case.

President.—It stands in the Bank's books as a total loss.

Witness.—The statement must be incorrect. The

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calls would not have been more than Rs. 4,000, and the shares were worth at least half a lakh.

[*President.*—We will make inquiry into it.]

President.—Was not this statement drawn up by you?

Answer.—No, it was not.

President.—Have not you examined it carefully and kept it in your custody for more than a fortnight?

Answer.—No, I had it lent to me for about a week to make a copy of it, and to look into it so far as I could, but I have not made a copy, and have brought the original.

President.—Have not you gone to the Bank of Bombay and investigated these incorrect items you speak of?

Answer.—No.

President.—Why did you not? There is a great reflection upon your administration, and one would have thought that you would have taken care to go to the Bank and see about these items you speak of *as incorrect. You have had a whole fortnight.*

Witness.—That is not correct, Sir, I have only had three or four days.

Major Innes.—Have you not been at the Bank from day to day for a fortnight?

Answer.—No, I have not.

President.—You might certainly have seen about these items even if you had had only one day. This is only the eighth item on the list, and if it is such a very incorrect statement you might have investigated the items.

Witness.—I looked over a great number of the items, and wherever I saw an inaccuracy I investigated one or two particulars; without doing so I could not have given you the information which I have supplied already. This case I have noticed for the first time, but on the face of it there must be some mistake.

President.—Look at the item of Rs. 13,000 advanced to Davidass Luckmidass on a promissory note.

Witness.—That note was taken about the time when Davidass' bills were renewed. He paid an amount in cash and deposited certain securities, and he said he had money due to him in a few days, which would enable him to pay off Rs. 13,000 more. No money at that time left the Bank. The value of the shares was estimated, and the deficiency was so much—say Rs. 13,000,—and to make that up certain securities were given, and the note taken; in cases where it was thought that by taking a bill for fifteen days or a month anything more could be got we did so; this note originated in that way I believe. Unless we trace the thing entirely up to the commencement I will have very great difficulty in giving an explanation of it. The Rs. 13,000 might have been the deficiency in cash upon some previous transaction. There was a bill, you will observe, renewed to him on 8th March. I believe it was a transaction which originated in the renewal of other bills.

President.—Rs. 13,000 were due by him to the Bank, and you got him to sign a promissory note.

Answer.—Yes; a note at a short date.

President.—The next item comprises three loans to Davidass Luckmidass and Jumnadass Vullubdass for Rs. 84,000, Rs. 61,000, and Rs. 1,80,000; of these sums the sum of Rs. 1,70,000 were written off to profit and loss, and Rs. 41,576 was due at the beginning of this year; what do you know of that transaction?

Answer.—They were advances on shares of the Royal Bank, Chartered Bank, Mazagon Company, and of others.

President.—These are all advances on shares before the date when they were authorized at the Head Office; by whose influence did these people get these advances?

Answer.—I think Davidass and Jumnadass were referred to me by Premchund Roychund, who said they were perfectly safe for a large amount. He said one lakh on a clean bill. By clean bills I mean bills without any security. I look at a paper shown to me. The figures are Premchund's, and the names are mine. The words "one lakh" are written by Premchund; this was my discount list. There has been a very large loss upon this transaction. The Bank held the shares till they went down to the lowest rates, which was usually the case with the shares held by the Bank. I admit the mistake of advancing on shares, and the loss has been largely increased by the shares not being sold. There is scarcely a bill in this Branch in which collateral securities were not held. If these had been sold at any time before the end of 1865 the loss would scarcely have been more than in the previous half year. I remained in charge of the Branch down to the time it was closed, but I had no control over the proceedings of the Branch from the beginning of 1866. I had an Order from the Head Office to send the securities to the Bank; but that must have been later; at any rate my power of selling the securities must have been largely withdrawn some time about the end of 1865.

I am referred to another item, a loan of Rs. 35,000 granted to Davidass Luckmidass, Jewanjee Cursetjee Framjee, and Gungadass Toolseydass. This was a renewal of a loan on the security of shares at about the market value of the day. I did not advance on the premium of shares. All advances made by me on shares were below the par or paid-up value of the shares. There may be one or two exceptions, such as advances on Commercial Bank shares, but there are very few advances exceeding the par value of the shares advanced upon. It is the fact that the loss which has accrued upon this Rs. 35,000 is Rs. 34,183—nearly a total loss. I explain that simply by the fact of the shares having been held till they became valueless. That promissory note was never renewed. These people must have failed, I think, soon after the loan was granted. It was a similar case to the others, in which the means of the men were small, and almost entirely invested in the margin between the rate which the shares had cost and the advance obtained on them. Even in 1865 I sold a very great number of shares. As a rule, I sold off those securities which I thought it most dangerous to hold. I did not in 1865, I admit, realise the situation. I did not believe that all the Banks were involved to the extent which afterwards became apparent. I did however with very great risk to myself sell off a considerable amount of the securities held by the Bank, or induced parties to do so.

I am referred to the entry of the transaction with Govind Hurry Wullubchund and Gungaram Vuldera, who obtained Rs. 50,000 on a promissory note without any security being originally taken. Gungaram was a shroff in the bazaar, and Govind Hurry was a man largely engaged in cotton business, and of considerable means; and this bill, I am quite sure in my own mind, was referred to the Head Office at the time it was granted. I remember distinctly Govind coming to see me about it, and his being kept waiting some days before the loan was finally granted. He and Gungaram introduced themselves to me. I do not remember seeing Mr. Blair about it. It is a long time ago. But it was under the authority of the Head Office that I gave that loan without security; at a subsequent date some house property at Girgaum was given as collateral security. After the note became due I sent it to the Bank's Solicitors that they might take immediate steps with regard to it; it was mislaid in their office, and some months elapsed before it could be found, and any steps could be taken. It then appeared that the Head Office also had some claim against Govind Hurry Wullubchund, as one of the parties to a bill at the Head Office, and also that he was indebted to the Poona Branch in respect of some hoondies which had been sold there. These amounts were taken together, and the house at Girgaum was made over to the Bank, and subsequently sold; the result of the arrangement was to relieve the second party to the bill (Gungaram) from all liability in

respect of it, and there has been a loss on that transaction of Rs. 17,000. I turn to another item, an advance of Rs. 60,000 to Gopalrao Bulwunt and Pranjivundass Hurjivundass, on a promissory note, without security. I think it was done under reference to Premchund. The paper now shown to me is my reference to Premchund and his recommendation is on the other side.

President.—You will remark that Premchund only recommends him for Rs. 50,000; how was it that he obtained Rs. 60,000?

Answer.—I am unable to explain that, unless Premchund afterwards altered the margin. I am unable to say whether in this case I applied at the Head Office to see whether these parties owed anything there. I admit that as a prudent Manager of a Branch, only about a mile from the Head Office, I ought to have made some inquiry there. Pranjivundass was a man of very considerable wealth, and lived in a house only a few doors from the Branch. His father was a Banker, and I think it was extremely likely I inquired at the time of this advance, and that his advances at the Head Office were either very moderate, or that there were nothing outstanding at all.

President. — I think you are mistaken. If you had inquired at the Head Office you would have found that his application had been refused. If you look at that letter you will see that he asked at the Head Office for two lakhs (Letter marked A 93).

Witness.—It appears to be so.

I must admit that, as I was continually seeing the Secretary at the Head Office, I ought to have mentioned these cases to him, and certainly there is no evidence just now that I did. I am next referred to a small transaction with Govindjee Jeewanjee and Hurrichund Hurrishunker. This was an advance of Rs. 10,000 on shares.

I am also referred to an advance of Rs. 15,000 to Gungadass Toolseydass and Vizbookundass Luckmeedass. The amount written off is Rs. 4,841, and there is due besides Rs. 5,532. This was a note taken in liquidation of a previous one, part of the debt being paid in cash, and security being given for the balance. Originally there was no security.

With regard to the debt of Mr. W. A. Hurst, Rs. 13,000, his note was taken in partial payment of a bill due by D. J. Lisboa on an advance on shares. As I found that Lisboa had a claim against Mr. Hurst, and that I could get nothing else, I took it over. It was not a discount to Mr. Hurst at all.

President.—I see there has been a great loss upon it?

Witness.—A sum of Rs. 25,000 was advanced to Heerjee Arut and Meghjee Mooljee on 11th January 1865, without any security being taken. They were merchants in the bazaar, doing a large business. Heerjee had obligations in every Bank in Bombay. I do not consider that any recommendation. I only state it to show that he was doing a large business, and had large credit. Heerjee came to me and I think I referred to a number of people. I did not know him very well myself at that time, but made the usual inquiries. The paper now shown to me is one of the references that I made.

President.—I will next call your attention to the two transactions with Hurrichund Hurrishunker and Venayek Trimbuck. This is a case in which the Head Office refused to advance, and then you grant Rs. 13,000 and one lakh without any security.

Witness.—These were granted on the security of shares. They were not lodged afterwards. The security must have been lodged at the time.

President.—The transaction was entered into in January, and the securities were not lodged till 20th June.

Witness.—That is a mistake, I am quite sure the securities were lodged at the time.

President.—There is a very accurate account kept by the Bank of Bombay as to when the securities were lodged, and these securities are entered in it as lodged in June 1865.

Witness.—It must be a mistake in the book. I am quite sure I could not advance to him without security.

President.—You have given a great many other advances without security?

Witness.—Not to a person of his means.

President.—What do you recollect of this transaction?

Witness.—I remember he came to the Branch, and obtained the loan on the deposit of these shares, which were at that time worth fully one-third more than the amount advanced. I do not remember any particular recommendation in this case. These shares were never realised. I did not sell them for the same reason which I have given before. I always thought the out-turn from these shares would be much greater than it has been.

President. — The consequence is a loss of Rs. 1,20,000.

Witness.—There is another reason, probably, why I did not sell in some cases where I otherwise would—namely, the great risk there was in doing so. If the shares had gone up the parties could have claimed the difference, and I individually would have been held responsible.

President.— Did you take Mr. Blair's or Mr. Robertson's advice about selling securities?

Answer.—No. Banks in Bombay at that time were in a state of great uncertainty as to what rights they held over shares deposited as collateral security. One or two decisions of Mr. Justice Anstey led to a good deal of confusion about that time. I am referred to the case of Hajee Moosa Yoosuf of the Commercial Bank, who on 7th May 1866 got Rs. 20,000. I had no reason to be surprised at a person in the Commercial Bank of India coming to me. It was a bill drawn in England, not two promissory notes. At present nothing has been written off, and the outstanding balance is Rs. 4,860.

Jejeebhoy Dhunjeebhoy and Toolseydass Purmanundass obtained Rs. 35,000 on shares on 17th May 1865. This originated in a discount to Pranjeevundass Doolubdass for Rs. 1,65,000. The bill for Rs. 1,65,000 was subdivided into two or three bills, and the principals' names were given. The loss has been Rs. 33,425. The Central Bank did not fail, but went into liquidation, and the shares of that Bank given to secure the debt were not realised in time. This is another case of the same kind as the others.

D. J. Lisboa and A. M. Gomes obtained Rs. 60,000, an advance on shares; the balance has been reduced to Rs. 29,000, and there has been nothing written off. Against that amount the Bank has a claim on Mr. Ramchunder Luximonjee, who is solvent. The matter was in the hands of Messrs. Cleveland for some time, but I am not able to explain why the amount has not been realised.

Meghjee Mooljee and Cooverjee Premjee obtained Rs. 25,000 without security. They were traders, and I think that was done under reference to Premchund. They were men of considerable standing at the time. I look at a paper shown to me; this is my reference in this case. Rs. 7,603 was written off, and Rs. 6,000 now remain due, of which fully half will be recovered. The Bank obtained a decree against Meghjee Mooljee; the other has absconded from Bombay. At the time of my leaving the Branch instalments were regularly paid in respect of this debt; since then I have no knowledge of it.

I am referred to the transaction with Macculloch, John, & Co., Jewraz Ruttonsey & Co., and Bharmull Purbutt and Co.—Rs. 26,355 on a promissory note, on 12th April 1866.

President.—How came you to discount that promissory note on 12th April 1866? I thought all such transactions had ceased at your Branch at that time?

Witness.—I think we had hoondies falling due on Bharmull Purbutt and Co., which they were unable to meet, and this was taken as part payment. At this

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time the bills falling due were very large indeed, and frequently they were not taken up, which led to a good deal of negotiation for their disposal, and in several instances in that way the Branch was led to take bills for the sake of doing the best, and releasing the paper in its hands.

I obtained a decree against the parties a short time before they failed, and they lodged with me some Insurance Company's and other shares.

President.—That was on 7th August?

Answer.—Some of the shares have been sold I believe, I do not know as to all of them.

The next entry relates to Madhoba Hurrychundjee. A promissory note was given by him on May 24th, 1866, for Rs. 25,000. That was the note I spoke of as having been taken as part payment of Atmaram Madhowjee's debt, and we still hold the title deeds of some lands at Sewree that were taken, as I have said, in the transaction. There was no security originally taken. Madhoba was then supposed to be in a very good position.

The next is the transaction with Narayenbhoy Tapidas, on 12th May 1865, for Rs. 15,000. He was a Guzerat shroff, a man whose credit at that day was considered very good indeed. The Bank had been in the habit of taking his boondies up to Rs. 50,000. In the way I have described hoondies were falling due at Bombay, which he was unable to meet, and I made this advance of Rs. 15,000 on a Back Bay share, which must have been then worth considerably more, I should think. The loss on this bill has been Rs. 12,150. We appear to have renewed the bill on the 23rd June 1865. The value of a Back Bay share in June 1865 must have been at least Rs. 15,000 or Rs. 20,000 premium.

Nusserwanjee Nowrojee and Gungadass Toolseydass obtained one lakh. That was never renewed, but there has been a loss of Rs. 77,000. This arose in the same way partly. There was a bill previously discounted and further security was taken. A good deal of the security must have been realised. The Mazagon Company's shares were kept till calls became due on them. These shares were kept too long; if they had been realised at the time the bill became due there never would have been that loss.

There was also the loan to Pranjeevundass Hurgovundass and Ramdass Bapoobhoy of Rs. 80,000, on which there has been a loss of Rs. 41,180. That is a similar case. I never renewed, but the shares were held over, and never sold. I sold a Back Bay share for Rs. 8,000 premium, and that was all recovered. The shares taken were insufficient, but not when the security was taken. The next case is that of Premabhoy Hemabhoy who obtained Rs. 45,000. We had large transactions with Premabhoy at the Branch. chiefly on hoondies. He was a large dealer in Surat.

President.—Did not you inquire how he stood at the Head Office?

Answer.—With regard to shroffs no inquiry was made, for, even if we had ascertained how they stood at the Head Office, we should not have known how they stood at Branches, such as Baroda and Ahmedabad.

President.—But surely that would have been some guide. Would you have granted the accommodation if you had known that Premabhoy had eleven lakhs outstanding at the Head Office, and his son Rs. 4,50,000?

Witness.—No; not if I had known that they had those sums outstanding at the Head Office.

The next transaction is that of an advance of Rs. 40,000, to Roychund Deepchund, Premchund Roychund's father. I believe this originated in a transaction with Premchund. The date of the transaction is the 24th April 1866. We had hoondies due by Premchund Roychund about that time, and they were always paid at the Branch. Premchund used to sell the hoondies at Ahmedabad, Surat, and Indore, and they were sent to the Branch. Premchund's credit was then considerably shaken. That was a few days before the Directors made him an advance of twenty-five lakhs.

President.—Do you mean to say his credit was shaken on the 24th April 1866?

Answer.—I have no doubt of it.

President.—Do you, as Manager of the Kalbadevi Branch, say you had no doubt about that?

Answer.—I did not consider him good. I refused all business with him myself at that time, and I believe it was that that led to Roychund's name being given, and I do not think Premchund's name came into the Branch after that.

I believe hoondies for a large amount were due, and they were sent to the Head Office. Premchund said he had paid the money there, and on inquiry on that day I found the hoondies had not been paid there. This happened two or three times. I am not speaking of one occasion only.

President.—What happened?

Answer.—A difficulty in paying hoondies with Premchund and others as well. Every day we had cases of that sort arising, and arrangements had to be made with regard to these bills. In some cases they were protested.

President.—In some cases Premchund Roychund's bills were protested at the Branch before 24th April 1866?

Witness.—In some cases hoondies at the Branch were protested.

President.—Premchund's?

Answer.—I cannot say Premchund's were.

President.—I am asking you about the particular transaction which led to your taking Roychund's promissory note for Rs. 40,000. Premchund Roychund's hoondies had been sent into the Bank to the Head Office, he told you he had paid them there, and that happened oftener than once. That is what I understood you to say.

Witness.—I believe it was so in this case; many such cases occurred in 1865–66.

President.—But I want the particulars of this transaction.

Witness.—To the best of my belief it happened in this way; by discounting a bill to Roychund with these securities attached, the hoondies falling due by Premchund were paid off.

President.—You gave no money on the promissory note to Roychund Deepchund, but you got him to give you a promissory note for the debt due by Premchund?

Witness.—Yes. And the securities taken at that time were two Colaba Press Company's shares, worth about Rs. 18,000 each, and five Back Bay shares, which were then at about Rs. 5,000 each. The security taken amounted in all to about Rs. 60,000.

There was a similar transaction with Sewjee Velljee and Nagsee Kirpal. They signed a note for Rs. 1,25,000 on the 2nd October 1865. The debt subsequently, with money paid for calls on shares, amounted to Rs. 1,84,000, of which Rs. 32,000 has been written off as bad. That arose, I believe, in the same way as the last. They had very large hoondie transactions at that time; and a promissory note was taken, with the security of shares, in payment of hoondies falling due.

President.—At your examination the other day you stated that almost all the transactions were done under the advice of Premchund Roychund, and that the recommendations were almost as numerous as the bills outstanding.

Witness.—I think I stated that there had been a loss on nearly all the bills passed by Premchund.

President.—You have mentioned a great number of loans with which Premchund had nothing to do. It is only fair to say so.

Witness.—Some of the principal of them fall under that remark. In other cases I have not wished to impute blame to him. Except in the way of advice, he could have no ruling influence at the Kalbadevi Branch. During the time he was a Director, I should have considered his advice to carry a good deal of weight. I did not consult him only when he was a Director. He always had great weight, and was

largely consulted by the Bankers in the place. I have never received any allotments of shares of Companies in which he was a promoter. Directly or indirectly I never had any favour from him. I never had any transaction with him. I am not a shareholder in the Bank of Bombay.

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Mr. Melvill.—You said Premchund came in person with Burjorjee Rustomjee; was that a single instance, or did he come often?

Answer.—That was one instance. He came perhaps three or four times during the whole time the Branch was open.

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PREMCHUND ROYCHUND affirmed.

I am the son of Roychund Deepchund. He was the broker of the Bank of Bombay. He is not in Bombay, he is at Nowsari in the Guicowar's territory. He owes money in Bombay. I was first elected a Director of the Bank of Bombay on the 28th July 1864. I resigned that appointment on the 12th September 1864, as I was constantly going up to Poona during the rainy season, and had much business of my own to attend to. I was a broker also. I was again elected a Director of the Bank of Bombay on the 12th December 1864. My business had not decreased at that time. Some friends had pressed me to become a Director again.

President.—Who persuaded you?

Answer.—Some friends of mine.

President.—But I want to know who they were?

Answer.—Mr. Hannay and Mr. Tracey.

President.—Did Mr. Tracey press you?

Answer.—He was not a Director then.

President.—But you said Mr. Tracey?

Witness.—I do not know exactly about Mr. Tracey, but Hannay and Michael Scott also pressed me. I again resigned on the 29th June 1865.

I was not a promoter of the Bombay Reclamation Company. The promoters of it were Cowasjee Jehangheer, Gavin Steel, and Michael Scott. I was only a Director.

President.—When did you join them in this undertaking?

Answer.—I was with them always from the beginning. They were consulting me as to the allotment of shares, and all sorts of things.

President.—In fact you were their adviser in the promotion of the scheme?

Answer.—Yes.

I think the Company was started in June or July 1864. There was no prospectus or advertisement of the intended scheme; people knew that the Company was to come out. The first applications were sent in, I think, in June. I received some, Michael Scott received some, and Cowasjee Jehangheer Readymoney received some. I have only kept one application, it was made by Ardaseer Hormusjee Wadia. I received numerous applications. We received applications from everybody. I did not receive an application from Mr Blair. He did not send to me, but sent to Scott, I think. I did not receive any application from Mr. Robertson, his application was sent to Scott; most of the applications from Europeans were made to Mr. Scott. I did not receive any application from Mr. Birch, Mr. Scott received it. I did not receive any application from any Director of the Bank of Bombay. All the applications from Europeans went to Scott. I did not receive any applications from any of the Officials of the Bank of Bombay. I do not remember any.

President.—I suppose they were afterwards considered by you and the promoters, and you exercised your discretion as to whom you would allot shares to? To some you gave more, and to some less, than they asked for?

Answer.—Never more than they asked for; certainly not. We did not consider who might be useful to the Company when we were allotting shares; it was not done in that way at all; we gave shares to friends and to those whom we knew. There was a great demand for the shares. The first allotment was made on the 1st July 1864 I think. The shares were at a premium of about Rs. 10,000 before the applications were made. I do not remember exactly what premium they were at before the allotment was made on the 1st of July. I have no doubt that they were at a very large premium—it was more than Rs. 10,000. A person receiving an allotment of shares in the Company might have gone into the market at once, and realised a handsome profit. Immediately after the allotment they rose to Rs. 18,000 or Rs. 20,000 premium per share.

There was a supplementary allotment of shares. Anybody receiving an allotment of the supplementary issue received certainly a very handsome present. I think the applications for shares in this supplementary issue went to Scott and Cassels.

Some came to me. I exercised a very careful discretion before I allotted the supplementary issue. I did not give to some persons more, and others less, shares than they asked for. I gave them all less. I did not receive applications for shares in the first or second issue from Mr. Hannay. He had no occasion to apply. He was a partner of Gavin Steel's. I do not remember an application from Mr. Birch, but he must have made it, for he afterwards got shares, I know. I do not remember whether Mr. Birch had any shares in the supplementary allotment. (Turns to the register of allotments of the Company's shares produced by the Liquidators of the Company.) Mr. Hannay received twenty-five shares in the first allotment and twenty-two in the second. The letter shown to me is Mr. Birch's application (marked R 1), it is an application for six shares. I see Mr. Birch obtained eight shares in the first allotment. He received eight shares because he was a friend of Cowasjee, Scott, and everybody, myself included. He did not receive any of the supplementary issue. Mr. James Blair appears to have received five shares in the original allotment. I do not remember whether he applied for further shares. He did not obtain a further allotment of the supplementary issue. The supplementary issue was made about a month after the first allotment. Mr. Blair did not receive any shares of the second issue, but he bought some at auction. Mr. George Inverarity had four shares in the first allotment, none of the subsequent issue. Colonel Ballard had two shares, none of the new issue. Mr. H. L. Anderson five shares in the first allotment, none of the new issue. Mr. R. McIlwraith had ten of the first allotment only. Mr. Cassels had fifteen of the original and twenty-two of the supplementary issue. Mr. Tracey had two of the original, and ten of the supplementary issue. Mr. A. Stewart four of the first, of the new issue none. Mr. Ravenscroft had two of the first issue only. Mr. F. F. Lidderdale had five of the first issue only. Mr. Donald Robertson had two of the original and ten of the supplementary issue. Mr. W. Wilson of the Bank of Bombay had one share of the first allotment. Mr. A. D. Robertson received four, none of the new issue. Mr. Rustomjee Jamsetjee Jejeebhoy had ten of the first allotment, none of the second.

President.—Each of these gentlemen who received shares either in the original or supplemental allotment might have realised a handsome profit immediately by taking them into the market and selling them?

Answer.—Yes, I had twenty-five shares of the original and twenty-eight of the supplementary allotment. My father, Roychund Deepchund, received ten shares in the first allotment, and an additional

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one separately (I cannot explain why), and fifteen shares in the second allotment. Mr. Michael Scott had twenty-five of the old and twenty of the supplemental allotment.

I was not a promoter of the Surat Bank, I had the choice of the allotments. The promoters of that Bank were Abbaichund Cullianchund and some others.

President.—But there is no doubt about the fact, that you were the person principally concerned in the formation of the Surat Bank; you cannot disguise that fact?

Answer.—Yes, I was.

President.—The Surat Bank was yours in fact?

Answer.—Yes. No prospectus was issued. The Bank was established in Surat. I went to Surat; I saw those people, they said they wanted a Bank in Surat; and then they made applications for shares. The applications did not come from Surat to me in Bombay, it was at Surat they were received. The shares were at a considerable premium before the allotments were made. Mr. Tracey had shares in that Bank allotted to him I think. I do not remember whether thirty shares were allotted to Mr. James Blair, but I know that some were allotted to him. My books will not show the number of shares allotted to him. I do not remember how many shares I allotted to Mr. Donald Robertson. I did allot him shares, but I do not remember how many. I allotted some shares to Mr. Grant, the Agent of the Bank of Bombay at Surat. I cannot remember having allotted any to Mr. G. Inverarity.

President.—I think you allotted a great number of shares to most of the Agents of the Banks in Bombay?

Answer.—Yes, to those who applied to me I allotted shares. I may have allotted shares to Mr. A. Thomgon, the Agent of the Bank of Hindustan. I think I did. I remember that I allotted some shares to Mr. D. S. Christie of the Indian Peninsula Bank, but I do not know how many; some to Mr. J. E. Flinders of the Agra Bank; and some to Mr. Cumming, a broker; he had nothing to do with the Commercial Bank. I also made allotments to Mr. Nicholson of the Chartered Mercantile Bank; Mr. Heycock of the Central Bank; Mr. Morrison of the Asiatic Bank; Mr. Gray of the Bank of India; and Mr. De Quadros of the Commercial Bank.

I was interested in the Asiatic Bank. It was formerly called the Bombay Joint Stock Bank, and was afterwards converted into the Asiatic Banking Corporation. I was not one of the promoters of that Company. I was consulted by those who were in the concern, and I took a large number of shares in it. There was no prospectus issued with regard to it. I do not remember when the original issue of shares in the Bank took place. Shares were allotted to me; they were at a premium before the allotment was made; not at a considerable premium, about twenty per cent. perhaps. I do not remember whether I allotted shares in the Asiatic Bank to Mr. J. Blair; I may have allotted him shares, but he was sure to have got them; so was Mr. Robertson and Mr. Birch. I do not remember how many I allotted to Mr. Birch. There was subsequently a new issue of shares in the Bank. The shares were at a considerable premium at that time, before the allotments were made of the new issue. I do not remember at what premium the new shares were before they were allotted; more than one hundred per cent. I think. A person getting an allotment of the new issue could immediately sell out, and make a handsome profit. I do not know whether there was an allotment of new shares to Mr. S. D. Birch. The allotment was made in England. The Head Office was in England. Any man who had two old shares would be entitled to get one share in the new issue. I do not know whether Mr. Birch had any shares in the old Bank. The new shares came out from England to be allotted here. If Mr. Birch had old shares he would get new shares; but if he had not he would not get any of the new shares. As a matter of fact I do not know that he got any.

I do not know whether Mr. Blair obtained shares in the new issue, or whether Mr. Robertson did. The allotment lists of the shares in the Company are in England. I do not remember whether Mr. Tracey did.

I was not a promoter of the Mazagon Land Reclamation Company. I was one of the parties who bought the land from Government. I was a purchaser with Scott, Cassels, Steel, and Cowasjee Jehangheer; we were five parties altogether. The purchase money to be paid to Government was forty lakhs. We paid ten lakhs and re-sold the land to the Directors of the Alliance Financial Corporation for sixty lakhs. I made the bargain with the Directors of the Alliance Financial Corporation for the sale of the land for sixty lakhs, and that each of the five sellers was to receive eighty shares in the new Company; the balance of two or three hundred shares I was to keep for my friends. The capital of the Company was divided into two thousand shares. It is an exaggeration to say that we were to have half the shares; it was not one half. The allotment of the shares in this Company was made in October 1864. I believe that was the date.

President.—Did you allot any shares in that Company to any Director of the Bank of Bombay?

Answer.—Mr. Cassels was a Director of the Bank, and of course he would have his eighty shares. I did not allot any of the shares I had to any Director of the Bank of Bombay. I allotted some shares in the Company to officials of the Bank of Bombay. I gave some to Mr. Robertson. I think I gave some to Mr. Blair. I did not give any shares to Mr. Maclean, the Chief Accountant of the Bank. I do not remember whether I allotted shares in this Company or in the Surat Bank to Mr. Ryland. I did not allot any of the shares of the Bombay Reclamation Company to him.

I do not remember whether he was in Bombay when the Asiatic Bank shares were allotted; if he *was* in Bombay, he would be sure to have got some shares.

President.—Upon what principle would he have been sure to have got some?

Answer.—All the Bank Managers got shares.

I was a promoter of the Asiatic Trading Company; I was not the sole promoter; I was with Scott, of Ritchie, Steuart, & Co. There was no statement issued to the public of the nature and objects of the Company. The Memorandum and Articles of Association of the Company were not published. Ritchie, Steuart, and Co. were to be the permanent Secretaries of the Company. The calls were all paid up. There was no price for the shares, except once in 1865, I think.

President.—When was the Company first stated?

Answer.—I do not know the date, but I think it was in 1864, or in the beginning of 1865. I do not remember whether it was the last of the Companies established. I think there were plenty of Companies started after that. There was the Port Canning Company, it had been started before in Calcutta, but it came out in Bombay afterwards.

President.—What other Companies were established after that?

Answer.—The Bombay Shipping Company.

President.—Did that come out after the Asiatic Trading Company?

Answer.—I do not remember the date.

Ritchie, Steuart and Co. and I made very large shipments of cotton on joint account with the Asiatic Trading Company. Mr. Blair and Mr. Robertson had shares in this Company allotted to them, one or two shares.

President.—Were any shares in that Company allotted to Directors of the Bank of Bombay?

Answer.—I do not remember, but I do not think so. These shipments of cotton upon behalf of this Company, of Ritchie, Steuart and Co. and myself, resulted in losses and the Company failed. Ritchie, Steuart and Co. were the only creditors of the Com-

pany. There were other shareholders. A meeting of the shareholders was called, and the debt to Ritchie, Steuart, and Co. was compromised. When Ritchie, Steuart, and Co. wanted to make another call, the shareholders all came to inquire about the accounts.

President.—Was not this Company the last Company that you formed for the purpose of raising money for speculation?

Answer.—The Company was formed for the purpose of carrying on the business or trade which was carried on by Ritchie, Steuart, and Co. and myself. The shares in it were not transferable.

President.—Were you the promoter of any other Company in this place?

Answer.—No; in fact I was no promoter of them at all. I had some interest in the Port Canning Company in allotting the shares here. Mr. Schiller, of the Port Canning Company, came round from Calcutta here to see after the allotments. He addressed himself to Scott and to John Fleming. Not to me, but to Ritchie, Steuart, and Co. I was consulted. There were a number of shares of the Port Canning Company to be put on the market here, to be allotted and distributed. I do not remember the names of the leading persons who got allotments in the Port Canning Company. I know plenty of persons did get allotments. The shares ran up to a good premium before the allotment was made. About 8,000 rupees. I do not remember whether Mr. Blair received an allotment of Port Canning Shares; if he was in Bombay at the time he was sure to have got an allotment. Mr. Schiller came here towards the end of 1864, I think, or the beginning of 1865. Mr. Robertson obtained some of the shares. I do not know whether Mr. Ryland got any. I do not remember whether Mr. Birch or Mr. A. D. Robertson received any allotment. Cowasjee Jehangheer got some shares. Mr. Tracey also, and Mr. Cassels. I do not remember any other Director of the Bank of Bombay who did.

President.—Is there any other Company in which you had anything to do with the allotment of shares?

Witness.—Yes, the Bombay Shipping Company. It was formed in 1864. It is in existence. Mr. Blair and Mr. Robertson both got allotments in that Company. I think the shares of the Company were at a premium before the allotment. I had an allotment of shares in it. I do not remember whether any other Director of the Bank of Bombay had an allotment of shares in that Company. When this Company came out, I think Mr. Tracey was not in the firm of Ritchie, Steuart, and Co. Cowasjee Jehangheer got some. I think Cassels got some. I do not remember any one else.

President.—Is there any other Company of which you had the allotment of the shares?

Answer.—I had an interest in the allotment of the shares in the Elphinstone Insurance Company. Those shares never rose to a premium.

President.—Was there any other Company?

Answer.—No. I do not remember any other Company.

President.—I believe that you were very intimate with Mr. James Blair of the Bank of Bombay, and were often consulted by him in the management of the Bank.

Answer.—Yes.

President.—Are you aware that Mr. Blair commenced granting cash credits upon personal security in August or September 1863?

Answer.—Yes.

President.—I believe that you and your father were the two first persons who ever took the benefit of that resolution of his, to grant cash credits upon personal security. You each of you got a cash credit of one lakh, did you not?

Answer.—My father got a lakh.

President.—You both got a cash credit in August or September; your father got a lakh, and you also got a lakh. Mr. Blair had never done this before, you know?

Witness.—I do not know that at all.

President.—But your father was the broker of the Bank, and all your life you have had transactions with the Bank; you must have known that they had never done so before?

Witness.—Not before, not while Mr. Stuart was there.

President.—How was it that you and your father contrived to induce Mr. Blair to break through the old rule of the Bank?

Answer.—I did not induce him; it was his own wish that the Bank should advance upon personal security.

President.—Was there a Bank Director in August or September 1863 who knew that Mr. Blair was advancing money upon personal security?

Answer.—I do not know.

President.—I want to know how it was that you and your father managed to get Mr. Blair to break through the rule of the Bank at Bombay, by granting cash credits upon personal security?

Answer.—The rule of the Bank was to advance upon two names.

President.—That was on bill transactions; I speak of cash credits. In former days a cash credit was never granted by the Bank unless upon Government Stock, Railway shares guaranteed by Government, or bullion; but you got him to let you have a cash credit upon personal security. Now that was so important a change in your monetary arrangements, that you must have some recollection of it; state what passed between you and Mr. Blair?

Answer.—It was this: some schoffs and native merchants, and European merchants also, did not like to bring their names before the Directors of the Bank, and the Directors of the Bank could get out no discounts at all. I said to Mr. Blair if the Bank would grant loans upon personal security he would get plenty of persons to come forward to take loans.

President.—You suggested then to Mr. Blair that if he would grant cash credits upon personal security, he would get plenty of applicants to come forward?

Answer.—Yes; and Mr. Blair said he would let me know after he had consulted with the Directors.

President.—Did Mr. Blair consult the Directors?

Answer.—I do not know that, Sir, he must have done so. How could he advance upon personal security without consulting the Directors at all?

President.—How do you know he did consult any one but yourself?

Answer.—He told me himself that he would consult with some of the Directors, and let me know the result.

President.—You knew most of the Directors of the Bank at that time?

Answer.—All of them.

President.—Can you say, that any of them knew that cash credits were granted upon personal security?

Answer.—I think they knew it.

President.—What Directors knew it?

Answer.—I do not know that.

President.—You must be able to tell us; mention the names of the Directors?

Answer.—Mr. Blair could not advance without the authority of the Directors, and he could not do anything without consulting them. He did not make any difficulty about granting the cash credit which my father obtained. He did not tell me to keep the matter quiet. I could have got any amount of money advanced to me outside. He did not enjoin secrecy upon me. I have read the newspaper report of Mr. Foggo's evidence, in which he says he never knew anything about such advances by the Bank; it may be that he never heard of it.

President.—You seem to have availed yourself of that advantage, and in the year 1863 to have got one loan of a lakh, and another of a lakh and a half, and Roychund Deepchund got one lakh. I suppose you told your friends of this, and said that you could get

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money from the Bank of Bombay upon personal security?

Answer.—Yes, I told them that the Bank of Bombay would advance money upon personal security, and it became known in the bazaar. I received this book of blank forms of promissory notes from Mr. Blair for obtaining such loans. (Marked R 2.)

President.—The names of the first persons who availed themselves of this privilege appear familiar to persons who are as conversant with your affairs as we are now: There is Calliandass Mohundass, he was a friend of yours?

Answer. — He was recommended by Cowasjee Jehangheer.

President.—Then there are Premabhoy Hemchund, Cursondass Madhowdass, Premabhoy Hemabhoy, Veerchund Deepchund, and Bomanjee Cursetjee Cama: these were all friends of yours, were they not?

Answer.—I knew them all. I was not Ritchie, Steuart, and Co.'s broker. I was a guarantor to them for consignments of cotton made through them to England, and in buying cotton up-country, and I shipped cotton through them. I did not obtain a cash credit for them from the Bank of Bombay of five lakhs in June 1864 upon personal security. Mr. Michael H. Scott was a partner in that firm, and he was also a Director of the Bank of Bombay upon the 2nd June 1864.

If I had obtained five lakhs for Ritchie, Steuart, and Company, it would appear in my books. I have not such a sum entered upon the 2nd June 1864. There is nothing of it in my books. They obtained their loans themselves, I think. Mr. McIlwraith was a partner in the firm of Nicol and Company. He was also a Director of the Bank of Bombay in 1864. I do not know anything of the affairs of Nicol and Company, and whether they got loans upon personal security from the Bank of Bombay.

I said Mr. Blair stated that he would ask the Directors whether they would advance money upon personal security; when he saw me upon the next occasion he said he was ready to advance upon personal security. He did not tell me that the Directors had sanctioned it. I did not ask him, and he did not tell me, but my impression was that the Directors all knew of it.

President.—When did you first begin to purchase shares for Mr. Blair?

Answer.—He was buying and selling shares frequently; his dealings in shares were generally managed by me. I can tell which was the first transaction by referring to my books. There were many occasions on which I bought and sold shares for him. There was no secrecy enjoined about it; he always kept it secret from the Directors, except one or two of them. I think Mr. Tracey always knew. I think Cowasjee Jehangheer and Scott knew. Mr. Scott left Bombay at the end of 1864. He came back to Bombay for two months in 1865, I think.

President.—In your Cash Book there is this entry on the 16th July 1864, "ten Back Bay shares purchased upon account of J. Blair," who is debited with Rs. 3,11,702; what do you recollect of that transaction?

Answer.—I bought shares at the auction. The auction of the four hundred shares refused by Government. Mr. Blair took ten of them. I had instructions previously to buy shares for him. I was acting as a broker in that transaction. I do not remember where he obtained the money to make that purchase of shares for Rs. 3,11,702.

President.—Did he not obtain that loan from the Asiatic Bank?

Answer.—Yes, he did. I did not negociate that loan with the Asiatic Bank for him. He did so himself. Mr. Morrison and he were friends. Mr. Morrison had an interest in those ten shares. Mr. Blair had five shares in the Back Bay Company originally allotted to him, and the ten which I purchased for him; thirty Bank of Surat shares, which I allotted him; one hundred shares in the Joint Stock Bank, which I bought for him at forty-two per cent. premium on the 5th March 1864. (Cash Book produced; entry marked R 3.) My books do not contain anything about one hundred shares in the Financial Association of India and China or United Victoria and Colaba Company's shares or Joint Stock Corporation's shares on Mr. Blair's account. I had a joint speculation with Mr. Blair in Elphinstone Land and Press Company's shares in December 1864. I turn to an entry in my Cash Book of a credit to the joint account of Mr. Blair, Mr. Tracey, Mr. Morrison, and myself: "proceeds of six shares in Nicol and Company's Elphinstone Land and Press Company, Rs. 9,05,211." I had also a joint speculation with Mr. Blair in Back Bay shares in 1864; the account is in the joint names of Scott, Tracey, Morrison, and myself. Mr. Blair's name is not mentioned, but it was with Mr. Morrison that he was interested. Fifty Back Bay shares were purchased for Rs. 12,59,860 between April and August 1865, on different dates. (Entry produced, marked R 4.)

President.—What other joint transactions had you with Mr. Blair? He seems to have operated under other names. You can look at your books?

Answer.—I do not remember any others.

President.—When did you first lend money to Mr. Blair?

Answer.—I never lent money to Mr. Blair at all. We entered into joint transactions, and I supplied the money.

President.—But did you not lend him money?

Premchund.—Do you mean to him personally?

[After being cautioned by the President, and having referred to his books:—]

Answer.—Yes, there is a loan of Rs. 20,000.

President.—That is not your first loan to Mr. Blair?

Answer.—There is the one I have mentioned to you, and Rs. 20,797-12-10 on the 6th December 1863. That was for the one hundred Joint Stock Bank shares debited to his account. I have mentioned that before. It was a loan, and was paid off three months afterwards, on the 5th of March 1864, with interest.

President.—You have mentioned another transaction of Rs. 20,000. What is the date of that loan?

Answer.—On the 22nd of June 1864 I paid Mr. Blair Rs. 20,000 by a cheque on the Asiatic Bank. That was paid off on the 7th July 1864. He asked me for the money, and I gave it to him. I do not know for what purpose he wanted it.

President.—I must ask you to tax your memory a little more; let us have the particulars of your other loans to Mr. Blair.

Answer.—There are no more that I know of; they are not in my books.

President.—Did you not receive the balance of a loan from him on the 20th April 1865? You ought to be able to recollect transactions of this kind with Mr. Blair.

Answer.—I have had many transactions with him.

President.—You did not often lend money to a Bank Manager, so you ought to recollect the transactions?

Answer.—I used to lend money to most of the Bank Managers. I may mention one thing which I have not got here (alluding to his ledger). Morrison and Blair kept an account in my name in the Asiatic Bank account in connection with their dealings in shares for themselves. I knew, of course, that they were using my name.

I am referred to my account in the Current Deposit Account Ledger of the Asiatic Bank, in which the following entry to my credit appears:—"By balance of James Blair's loan Rs. 22,929 in April 1865." That was a mistake, the account was debited the next day as follows: "To balance of Jaiverlall Umiashunkers's cheque credit by you in error yesterday Rs. 22,929."

President.—Supposing the credit was made in error, and put right in a subsequent entry, still it

shows that there was a loan by you to James Blair, does it not?

Answer.—It is not in my books. I have no account of Jaiverlall's in my books, but I will get an explanation.

President.—Do you mean to state that you never did lend Mr. Blair any money except those two sums? Will you swear you never lent him any besides?

Answer.—On personal security?

President.—On personal security or any other security?

Answer.—He got money from my father.

President.—I want to know about yourself.

Answer.—He was doing business in the Asiatic Bank in my name.

President.—I am coming to that presently, but I want to know if you will swear you did not lend him another sum of money?

Answer.—It is not in my books. I cannot remember; it is three or four years ago. Whenever he asked me for money I always gave it. He was in the habit of doing that sometimes. Whatever money he borrowed I have the account of it in my books, but if he borrowed in the morning and paid again in the evening it is not in my books. Sometimes he would borrow in the morning for some purpose, and pay me again at three o'clock.

President.—Do you mean to say that entry "balance of James Blair's loan" is a fiction, and that there was no such loan?

Answer.—I would not say that. I will give an explanation by and by after seeing the clerk of the Asiatic Bank.

President.—We will postpone the question till Friday morning, when you will be prepared to give us a full explanation of it. We will turn to another subject; to the account in your name in the Asiatic Bank books, opened by Mr. Blair and Mr. Morrison; please explain that.

Premchund.—Sometimes Blair and Morrison used to do business and open a separate account in the Asiatic Bank in my name, their own names being concealed. It was for their benefit. But it was opened in my name for the purpose of concealing their names from the Directors of the Asiatic Bank.

President.—Can you point out the particular account; how is it ear-marked, to prevent its being mixed up in your own account?

Answer.—I do not know, sir, you will find it in the books of the Bank. [Witness here referred to the Asiatic Banking Corporation's books, but appeared unable to find the account.] They did not draw cheques upon the account, they used to send slips to the clerk. Morrison used to operate upon it as Bank Manager, he used to write on a slip "debit Premchund Roychund with so much." I do not remember having any other transaction with Mr. Blair. He had some transactions with my father.

President.—After what has passed I feel quite justified in asking you whether you ever at any time made Mr. Blair a present of money?

Answer.—Of money, never.

President.—Or anything else, except allotments?

Answer.—When he went home I might have given him a shawl or ring. I do not recollect which. I always charged him interest on my loans to him. I look at a letter shown to me (marked A 49); it is in my handwriting and addressed to Mr. Robertson. The postscript is as follows:—"I told Blair about five "lakhs of overdraft, and he told me to keep it as "long as I liked.—PREMCHUND ROYCHUND." I had not lodged any security for that overdraft, but there were lots of shares standing in my name at that time, and he thought I was perfectly right at that time.

President.—Do you think that was a correct mode of doing business; first of all allowing overdrafts, and then letting a customer overdraw as long as he liked without security?

Answer.—No, I certainly do not, but at that time many people had plenty of credit, and there was no want of money. I have no further explanation to give of it.

President.—There is another small entry in the ledger of the Asiatic Bank of the 15th of July 1864 of Rs. 297 paid on account of Mr. Blair's shares in the Bombay Reclamation Company, and a payment which Mr. Blair seems to have made to you of Rs. 4,950 on the 22nd July 1865; can you explain those entries?

Witness appeared unable to give any explanation of these items, and was directed to be prepared to explain them at his next examination.

President.—Your father, Roychund Deepchund, had very large dealings with Mr. Blair; will you mention any that you know of?

Answer.—I cannot mention any just now.

President.—Do you know of any loans of money from your father to Mr. Blair?

Answer.—Yes, he used to lend him money.

President.—Can you specify any particular loans?

Answer.—No, I cannot now, but I can get you all the particulars.

President.—Are you aware that Mr. Blair owed your father a very large sum of money just before he went home to England?

Answer.—I don't remember, but I will get you all particulars about it. I think Mr. Blair had to deposit his Bank of Bombay shares as security, and raised a sum of money to pay my father off. I will get particulars of the whole transaction. Mr. Blair borrowed money from my father for the purpose of buying shares.

President.—How was it the Directors appear not to have been aware of his dealings; how did you manage to keep it so secret. We have heard of one or two transactions with the Asiatic Bank, and the allotments of shares in the different Companies were in his own name; and the purchase of the Back Bay shares was also in his own name. Can you explain how it was that his speculations were kept so secret?

Answer.—Some did know it; Tracey, Scott, and Cowasjee Jehangeer. I do not remember that any one else did, but I know that those Directors whose names I have mentioned knew it.

President.—When did you begin to do business with Mr. D. Robertson? You allotted shares to him in several Companies, and you told us in the early part of your examination to-day that he had two shares in the first allotment of Bombay Reclamation Company's shares, and ten shares in the supplementary allotment?

Answer.—Yes, but I think that the ten shares of the second allotment did not belong to him though they were put in his name. I do not know to whom they belonged, but they did not belong to him. I know it because he could not have had twelve shares allotted to him in the Company for himself.

President.—He never told you that they did not belong to him?

Answer.—No. I believe I alloted him twenty shares in the Surat Bank, and a share in the Frere Land Company, which was promoted by Bayley and others. I had not the allotment of the shares of that Company. At the time of the allotment I was present, and I asked for some for Robertson as a friend of mine. The letter shown to me is in my handwriting (marked A 96).

[*The President* reads from Premchund's letter to Mr. Robertson as follows: "I have got the share for you and one for Berry in the Frere Company."]

Witness.—Captain Berry had nothing to do with the Bank of Bombay.

The President. (After reading, "I will send forty-five Back Bays to you in the morning:—") What were the forty-five Back Bays referred to? The letter has no date, but was written about the 20th of December 1864.

Answer.—I do not remember just now. I remember receiving from Mr. Robertson, in reply to my letter respecting the Frere Reclamation Company's share, the letter now shown to me, dated the 23rd of De-

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cember 1864, containing the following passage:—"I am much obliged for the Frere share so kindly sent me. I also received Captain Berry's share." (Letter marked A 97.) I did not allot to Mr. Robertson twenty-five shares in the Alliance Financial Corporation. I had nothing to do with the Alliance Financial allotment. I allotted him one share in the Asiatic Trading Company. I did not give him thirty-five shares in the Financial Association of India and China. I had nothing to do with that Cowasjee Jehangheer was the man. I bought shares for Mr. Robertson, a few only. I will bring a list of my transactions with him. He borrowed money of my father. I can bring particulars of those loans.

President.—Bring them with you on Friday morning with the others. You have not Roychund Deepchund's books, have you? perhaps you will bring them too with you on Friday?

Answer.—Very good, Sir.

President.—Had not Mr. Robertson joint transactions with Mr. Tracey?

Answer.—I don't remember just now. He was doing business with Mr. Tracey.

President.—Can you explain an entry in Mr. Robertson's account in the Asiatic Bank Ledger of the 25th of November 1864, "Received by cheque from Roychund Deepchund Rs. 11,750"?

Answer.—He must have got that money from my father. I am not able to explain the transaction.

President.—Put that down in your notes and look to your father's book. Mr. Tracey, I think, became a Director of the Bank in January 1865, did he not?

Answer.—Yes. There was a contest between him and Mr. Foggo. Mr. Tracey was a member of the firm of Ritchie, Steuart, and Co. I was the Agent in many transactions of that firm. I supported Mr. Tracey at that election. I canvassed for him. I also employed Dossabhoy Dhunjeebhoy to vote for him, and sent messages to tell people to come, and they attended the meeting. Mr. Tracey was elected. I had many transactions with Mr. Tracey before and after that time; not with Mr. Tracey as a member of the firm of Ritchie, Steuart, and Co., but with him individually. I do not know whether Mr. Tracey on the 8th of December 1864 got a credit of five lakhs from the Bank of Bombay. Cowasjee Jehangheer, Ritchie, Steuart, Cassels, and I that day received five lakhs a piece.

My books show that in March 1865 Mr. Tracey was indebted to me in a very large sum of money, about twenty-nine lakhs. He reduced that considerably afterwards; it was reduced to Rs. 31,000 in the October following. Mr. Tracey was very much involved in 1865; he had a very large overdrawn account at the Asiatic Bank. I know of his transactions in Port Canning shares with Mr. Brown and Mr. Best. That was not a profitable scheme. I did not, I think, find the money for that speculation for Mr. Tracey that I remember. I remember buying fourteen Port Canning shares in February 1865 at a cost of Rs. 1,62,600 from Mr. Brown. I look at the entry in their book. I cannot explain the initials entered there. I do not know who the other sellers were.

There was a speculation in Port Canning shares in which I, Mr. Hannay, Mr. Tracey, Mr. M. H. Scott, and Mr. Schiller were concerned to the amount of fourteen and a half lakhs. Mr. Robertson had not anything to do with that. Mr. Scott was not in Bombay then. It was not a profitable speculation. Mr. Tracey had a great many speculations in shares. He was also mixed up in a great many speculative share transactions with me. He gave his guarantee for me to the Bank of Bombay for three lakhs,—a verbal guarantee first on the 15th April 1866, and he wrote it down some days afterwards.

The letter shown to me is the guarantee (marked A 98); it was written in my presence. Mr. Tracey was a man of business, and I have had a great deal of experience as a mercantile man. This note is, I think, a sufficient guarantee. I see that there is no stamp on it. At that time there was plenty of confidence, and I think now that it is a sufficient guarantee. I do not know whether legal opinions have been taken about its sufficiency.

President.—Why were you asked for a guarantee on that date?

Answer.—Mr. Robertson said that he could not allow me more money unless he had a guarantee. That was on the 15th April 1866, ten days before the loan to me of twenty-five lakhs. He said he could not allow me to have a further loan without a guarantee. I suppose he had a sufficient number of loans out. I do not know under whose advice Mr. Robertson was acting at that time. My credit was not then shaken.

President.—It must have been a new and startling thing for you to be told by anybody at that time that they would not give you an overdraft for three lakhs without a guarantee?

Answer.—I sold three lakhs of my bills on Calcutta in half an hour in the bazaar, and I could have sold twenty lakhs. There was no difficulty in meeting my bills at that time. If Mr. Bullock said it was so at that time, it was not true.

President.—It is an extraordinary thing that Mr. Robertson, with whom you used always to get on so well, would not grant you a loan without a guarantee; you are quite sure he was not acting under some superior order?

Answer.—I do not know about that, but he said that he could not let me get any more without a guarantee, and I said I would get it from Tracey, and I did so. There was another guarantee given by Mr. Tracey a short time afterwards. This is it in his handwriting (marked A 98). I obtained money from the Bank under this guarantee, and it has been paid off.

President.—That is not the way people would have treated you a year before; you were never before asked for any other guarantee but your name. Will you explain to us why they were so particular for a guarantee at that time, in the beginning of April 1866?

Answer.—I cannot assign any reason at all; I had shipped a very large amount of cotton.

President.—Did not Mr. Robertson know, in fact at that very time, the 15th of April, that your credit was shaken?

Answer.—I never supposed that Mr. Robertson thought so.

President.—You are not able to explain his asking for a guarantee then?

Answer.—No, Sir, I cannot explain it. Mr. Tracey was called upon to pay the money under the first guarantee. The Board thought they had got the guarantee of Ritchie, Steuart, and Co., and they were very much disappointed when they found that it was only a guarantee by Mr. Tracey. They have not been able to sue upon it. Tracey never paid anything, but I have given plenty of securities. There is money now outstanding on that guarantee, a small amount. Mr. Tracey has nothing to pay it with; he is not able to pay his debts. I do not know whether that guarantee was shown to the Board. He may have shown it.

President.—How can you say that, when you said that the Board thought that they had the guarantee of Ritchie, Steuart, and Company? I have no doubt he showed it afterwards, on the 22nd of May, for we find the Board minutes on it; but do you believe that at the time Mr. Robertson laid the guarantee of Mr. Tracey before the Board?

Answer.—I do not know.

President.—But you knew everything passing at the Bank, did you not?

Answer.—No.

President.—Mr. Tracey told you everything?

Answer.—No; sometimes I used to ask him when I wanted the information for my own purpose, and he would tell me.

President.—On the 12th of September 1865 I think you signed a promissory note, purporting to be

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signed also by Mr. Scott, for five lakhs to the Bank of Bombay ?

Answer.—Yes. Perhaps Mr. Hannay or Mr. Tracey signed Mr. Scott's name, but I do not know which. Mr. Hannay was a friend of Mr. Scott.

President.—Do you believe that Mr. Hannay signed it ?

Answer.—It might be Mr. Tracey, for he had Mr. Scott's powers of attorney.

President.—Are you quite sure that you did not put Mr. Scott's name to it ?

Answer.—I am quite sure that I did not. I think Mr. Scott subsequently repudiated that bill altogether. He resigned his seat at the Board, but I do not know whether he did so on account of that transaction.

President.—You were very intimate with Mr. Scott; did he not tell you ?

Answer.—No. The money was borrowed to pay to Government on account of the land purchased by the Mazagon Land and Reclamation Company. Scott's name was attached to it, because he was a partner in the purchase of the property.

President.—You don't mean to say you don't know who it was who signed that name ?

Answer.—It might have been Tracey or some of those persons. He had a power of attorney. I cannot say it extended to such a transaction as this. I never read the power of attorney. I am not able to give any explanation of Mr. Scott's name being put to the note without his knowledge.

President.—Were you consulted at all about the opening of the Kalbadevi Branch ?

Answer.—Mr. Blair told me that a Branch would be opened at Kalbadevi, and I said that I thought it would be a very good thing, and that there would be plenty of deposits there. That was about the end of June 1864, I think. I became a Director in July 1864. It was opened to receive deposits and to buy hoondies. I do not know whether the original intention was to transact all Banking business there ; the real object was to receive deposits from the bazaar people and Marwarees.

President.—We have heard a great deal of the influence which you exercised at the Kalbadevi Branch: were you not consulted on almost all occasions by Mr. Bullock ?

Answer.—Not on all occasions; but sometimes before and on some occasions after he had given advances he came and asked me if the parties were good or bad. He used sometimes to write a note to me and ask about a person's credit, and I used to write in reply what I thought about it.

President.—But did you not on some occasions take the initiative, and recommend persons to Mr. Bullock ?

Answer.—Yes ; I have done so on two or three occasions. I did so in the case of Dr. Bhau Dajee. I knew Bhau Dajee was a good man. I did not recommend Burjorjee Rustomjee. He made the arrangements himself with Bullock, and then asked me to go and see Bullock. I am aware that Mr. Bullock had pecuniary transactions with my father. My father used to lend him money. I cannot give particulars of these loans to-day. I will have them ready on Friday. My father was surety to the Asiatic Bank for Rs. 6,000 for Mr. Bullock. I never had any dealings with Mr. Bullock. I never lent him any money. He never asked me for any; he used to go to my father. I do not know whether any other of the Agents of the Bank of Bombay borrowed money of my father, but I think not. None of them ever borrowed of me.

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Examination resumed.

Mr. Premchund Roychund.

President.—There were several matters which stood over on Wednesday, in order that you might examine your books, and those of your father, and be able to give us full particulars as to the different transactions. First of all, an explanation as to the item, "balance of James Blair's loan Rs. 22,929," which appears in the books of the Asiatic Bank; what have you to say as to that ?

Answer.—I bought five Back Bay shares from Mr. Blair at Rs. 28,000 each.

President.—It appears then that there was another transaction between you and Mr. Blair ?

Answer.—I did not remember the transaction. There are five Bombay Reclamation Company's shares which I bought from Mr. Blair at Rs. 28,000 premium, Rs. 5,000 being paid upon each share.*

President.—And this is the balance of profit; you sold the shares for Rs. 1,85,000 ?

Answer.—Yes.

President.—There was a profit then of Rs. 20,000 ?

Answer.—Yes.

President.—A sum of Rs. 1,62,071 was passed to Mr. Blair's account in the reduction of his loan from the Asiatic Bank, and Rs. 22,929 to your account as the balance of James Blair's loan at that time ; the latter sum was written back the next day, but was subsequently paid to your clerk ?

Answer.—Yes.

President.—Why was that sum of Rs. 22,929 paid to your clerk ?

Answer.—Because Rs. 20,000 was profit, and the rest belonged to me for interest.

President.—But who paid the Rs. 2,929 interest ?

Answer.—Mr. Blair. It was for interest to the 1st July.

President.—There was another item of Rs. 297-8 paid on Mr. Blair's Back Bay shares account; what is that item ?

Answer.—There was an item of Rs. 3,11,702-8-0 which was debited to Mr. Blair's account; he paid me Rs. 3,12,000, and the Rs. 297-8 over and above the Rs. 3,11,702-8 was credited separately.

President.—How do you explain the other item of Rs. 4,950 ?

Answer.—That is a cheque given by Mr. Barnes of the Agra Bank.

President.—What for ?

Answer.—I think for some share transaction between Mr. Blair and Mr. Barnes in which I acted as Broker ; but I don't recollect what share transaction it was.

President.—You said you would give us a list of the loans from Roychund Deepchund to Mr. Blair ?

Answer.—I have not got that yet, but I have sent for my father's books.

President.—You said you had got the books here, and would get the list ?

Answer.—I have sent to my father for the books, but they have not come yet; when they arrive I shall be able to explain.

President.—But I understood you to say that you would have the books this morning ?

Answer.—I have telegraphed and sent a man for them.

President.—You said you would show us the Banking account of Mr. Blair and Mr. Morrison, which you said stood in your name in the Asiatic Bank's Books.

Answer.—I am not able to point out the account. The loan given to Mr. Blair of Rs. 3,11,702-8 was

* Exhibit R. 23.

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on Morrison and Blair's joint account. I did not purchase shares for each of them. Mr. Morrison was interested in the ten Back Bay shares which I bought for Mr. Blair. There is another entry in my book of ten Back Bay shares purchased on the 15th of July 1864; they were not purchased for Mr. Morrison, but on account of Mr. Brodie, of the Chartered Bank. I cannot find the account of Mr. Blair and Mr. Morrison in the Asiatic Bank's Books.

President.—You volunteered the information that Mr. Blair and Mr. Morrison had an account in your name; there must be some foundation for that statement?

Answer.—It is the account of Back Bay shares, the loan of Rs. 3,11,702-8, and there is another account.

President.—But that account relating to the loan by the Asiatic Bank to Mr. Blair was not in your name?

Answer.—There is another account.

President.—What other account?

Answer.—The purchase of fifty Back Bay shares, the joint transaction.

President.—You mentioned that yesterday, but you also said that Messrs. Blair and Morrison had a separate account in your name, and we want you to substantiate that statement.

Answer.—I cannot find it in the Asiatic Bank's books, or in my books; I was looking through them all yesterday endeavouring to find it.

President.—What explanation have you to give for making such a statement? Is there no account of theirs in your name elsewhere?

Answer.—I cannot find any.

President.—Then how came you to suggest such a thing; you suggested it of your own accord, for we never heard of it?

Answer.—There is nothing in the books.

President.—Are you quite sure that Mr. Blair and Mr. Morrison never had any account in your name?

Answer.—No, they had not, Sir.

President.—Then you retract your statement?

Answer.—Yes.

President.—It is very unsatisfactory; I hope you will be a little more careful to-day.

President.—You said you would show us the list of loans from Roychund Deepchund to Mr. Robertson; will you first of all explain the sum of Rs. 11,750?

Answer.—I have it in my book: it is the purchase of one share in the Mazagon Land and Reclamation Company at Rs. 11,750 from Mr. Robertson, on the 25th of November 1864. Rs. 3,000 had been paid on the share, and it was sold at Rs. 8,750 premium; the total was Rs. 11,750. (Entry marked R 6 in Witness's book.)

I am referred to the allotments of the Mazagon Reclamation Company. I see that one share was allotted to Donald Robertson; he sold it immediately, and made a clear profit of Rs. 8,750 on that transaction.

I have not found any account of joint transactions between Mr. Robertson and Mr. Tracey. I said I would endeavour to find out, but I have not been able to do so up to this time. I wish to correct a statement which I made on my former examination: Cowasjee Jehangheer was not a Director of the Bank of Bombay when the shares of the Port Canning Company were allotted.

President.—We were speaking to you the other day about the allotments you made in the different Companies in which you were concerned. First of all, we will go through the names of some of the shareholders in the Mazagon Land and Reclamation Company. Mr. C. F. Kelly, Solicitor of the Bank of Bombay, did you allot him any shares?

Answer.—Yes, he had two shares; he was, I think, the Solicitor of the Company, as well as of the Bank of Bombay; Mr. Ryland, of the Bank of Bombay, had one share; D. Robertson, of the Bank of Bombay one, and that share was to him a clear gain of Rs. 8,750; G. Inverarity had three shares; S. D. Birch two; Mr. M. H. Scott one hundred; I had one hundred; R. Hannay fifty; R. L. Tracey first two, and afterwards twenty-five; James Blair two.

President.—These shares were at a premium at the time of the allotment, and could be sold directly at considerable profit?

Premchund.—Yes. The shares of every Company in those days were at a premium.

Of the Asiatic Trading Company's shares I allotted Mr. Blair one share, Mr. D. Robertson one share, M. H. Scott six shares, R. L. Tracey six, and A. Morrison one share.

I am referred to the Frere Land Reclamation Company's books. I had the allotment of some of the shares in this Company, but the Company was in the hands of Bayley and others. I procured an allotment of two of these shares for James Blair.

President.—Did you get the allotments from the Directors?

Answer.—Yes.

President.—That those you allotted to might get the premium?

Answer.—Yes. C. F. Kelly had one share, and Donald Robertson one share. I did not allot two shares to G. Inverarity in the name of Atmaram Balcrustna. I think it was Cursondass Madhowdass who gave them to Inverarity, and they were entered in the name of Atmaram Balcrustna. I see (looking at the list) that Atmaram Balcrustna had also thirteen shares.

I allotted two shares of the Bombay Shipping Company to Mr. James Blair; the shares were at a premium when they were allotted.

I am referred to the Books of the Port Canning Company. I received numerous written applications for shares in that Company. I think the applications will be found with Messrs. Ritchie, Steuart, & Co.

President.—Did you allot any shares to S. D. Birch?

Answer.—Yes, five.

President.—What premium were these shares at the time?

Answer.—Rs. 8,000 premium.

President.—Did you allot Mr. James Blair two shares?

Answer.—Yes, Sir.

President.—G. Inverarity five?

Answer.—Yes.

President.—H. E. Jacomb one?

Answer.—Yes.

President.—C. F. Kelly two?

Answer.—Yes.

President.—Lidderdale one?

Answer.—Yes.

President.—Ravenscroft one?

Answer.—Yes.

President.—He was a Government Director, was he not?

Answer.—Yes, Sir.

President.—A. D. Robertson twenty shares?

Answer.—Yes.

President.—Donald Robertson two?

Answer.—Yes.

President.—Tracey, how many?

Answer.—Fifty.

President.—Rustomjee Jamsetjee Jejeebhoy?

Answer.—Twenty.

President.—McIlwraith (he was a Director, was he not), how many?

Answer.—Fifteen.

President.—You stated during your examination the day before yesterday that you thought that ten Back Bay shares which were given to Mr. Robertson in the second allotment were not his?

Answer.—They were not his, Sir.

President.—The effect of that evidence is very serious as regards Mr. Robertson, because, unless it is shown that they were not his, he received a present of about two lakhs. We want an explanation from you about it. You say that Mr. Robertson never told you who was the real owner of the shares; do you know who was the real owner of the shares?

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Premchund.—I do not remember. I have been thinking about it for the last two days.

President.—Have you never heard?

Answer.—I must have heard the name, but I forget.

President.—You could not forget so important a thing as that: who was the real owner?

Premchund.—Mr. Robertson told me himself that he had two shares in the original allotment. He had ten shares of the new issue in his name, but I believe they were not his, not one of them.

President.—Why do you think they could not have been his?

Answer.—Because I think he could not have had in all twelve shares when Mr. Blair only had five.

President.—Have you any idea who was the owner? just consider, for what you may say in your evidence before the Commission may be a very serious matter for Mr. Robertson.

Premchund.—It may have been Hannay or Tracey, or Scott, to whom they belonged, but I do not know.

President.—Was it usual to distribute and have shares in the name of other people?

Answer.—Yes, very usual.

President.—Has your memory failed in all other cases; can you tell us any cases where people had shares in other people's names?

Premchund.—I had shares in the name of my clerks and dependents.

President.—Have you any recollection of any Directors of the Bank of Bombay having shares in some other persons' names for them.

Premchund.—Will you tell me the names?

President.—Not to appear invidious, I will mention the names of all the Government Directors of 1863, 1864, 1865; Mr. Birch, had he any?

Premchund.—He had eight shares; I never heard of his having any more.

President.—A. D. Robertson?

Premchund.—He had four first, and I heard that he had five more in some other person's name.

President.—Inverarity?

Answer.—No.

President.—Mangles?

Answer.—No.

President.—F. S. Chapman?

Answer.—I don't think he had any at all.

President.—Lushington?

Answer.—He had none.

President.—Jacomb?

Answer.—None.

President.—Can you tell us anybody except Mr. D. Robertson (who we shall not see for some time to come) who can state to whom those ten shares belonged?

Answer.—I think Mr. Hannay or Mr. Tracey will be able to tell you.

President.—Nobody in Bombay?

Answer.—No.

President.—Cowasjee Jehangheer, think you?

Answer.—No, Sir.

President.—He was one of the promoters?

Premchund.—But it was a secret transaction.

President.—Did any of the Government Directors who were in office after the 1st of August 1863 or in 1864 or 1865 traffic in shares?

Answer.—If you give me their names I will tell you.

President.—I will give you all the names; first of all Mr. Birch?

Answer.—He had shares in the Asiatic Bank.

President.—Did he buy them, or get them in the new issue?

Answer.—I don't know, but I know that he had shares in the Asiatic Bank. I do not know what shares he had in other Companies.

President.—Mr. Ravenscroft?

Answer.—I do not know.

President.—Mr. Inverarity?

Answer.—He was doing business in Bank of Bombay shares I think.

President.—Do you mean buying and selling?

Answer.—Yes; he might have bought and sold Back Bay shares also, but I do not remember.

President.—Mr. Mangles?

Answer.—No.

President.—Mr. Chapman?

Answer.—No.

President.—Mr. Lushington?

Answer.—No.

President.—Mr. Jacomb?

Answer.—No.

President.—Are you aware of any of these gentlemen having bought or sold shares in other persons' names?

Answer.—If Mr. Inverarity had any business he did it with Cursondass Madhowdass.

President.—That is not an answer to my question. I asked if you knew if any of these Directors had been trafficking in shares in the names of other persons?

Answer.—Mr. A. D. Robertson and Mr. Inverarity bought and sold shares.

President.—Had you or your father any joint transactions or speculations with any of these gentlemen I have mentioned, who were Government Directors?

Answer.—If you will repeat their names I will tell you. (The President mentions the names again.)

Witness.—No, not with those gentlemen.

President.—You particularly guarded yourself in your answer. Were there any other Government Directors with whom you or your father had joint transactions in shares?

Witness.—If you mention names I will tell you.

President.—Have you had any joint transaction with any Government Director?

Answer.—No, Sir, no joint transactions.

President.—Then why did you fence about it, and say "with none of *those* gentlemen?"

Answer.—Because there might be some other Directors.

President.—We know you have had joint transactions with Commercial Directors; but I am asking you about Government Directors. I think I have named all of them for the three years?

Premchund.—No; I have never had any joint transactions with any of them.

President.—From your extensive business and acquaintance with everything in Bombay you have the means of knowing; I therefore ask you whether any of those gentlemen ever did enter into any joint speculations with natives or others in Bombay during 1863, 1864, and 1865?

Answer.—I think A. D. Robertson and Cassels must have had joint transactions.

President.—Why do you say so?

Answer.—Because they were staying together, and did business together.

President.—You have no other means of knowledge than that?

Answer.—No, Sir.

President.—Are you aware of any of these gentlemen having received allotments of shares in the names of other persons? You have named one person, do you know anybody else?

Answer.—No, not one that I know of. I was a Director of the Bank of Bombay, and present at the Board when the resolution of the 12th of April 1865 was passed. I thought at the time that the resolution was a good one. It originated, I think, with three of us—Mr. Hannay, Mr. Tracey, and myself. I observe that the resolution rescinds the former resolution of the 6th of August 1863, which forbad the Secretary to advance on shares unless the matter was brought before the full Board. I was not at the time aware of the existence of that rule. I first became aware of it at the meeting of the 12th April 1865. No doubt the resolution of that date was carefully drawn up and must have been considered some time before. I told either Blair or Robertson that I thought that advancing upon shares would bring confidence to the market, but I did not know of the resolution of August 1863, and I first saw it at the Board meeting of the

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12th April 1865. I was not very much surprised to find that there was such a rule in existence. When I saw it at the meeting I did not trouble myself much about it.

President.—But it surely must have struck you with no common surprise, for it was a rule you had violated with the Secretary for the past year?

Premchund.—I thought that the Secretary had power to advance on shares. It did not strike me as singular that such a rule should be in existence, and that it had to be rescinded.

President.—Is it not a fact that you and the Secretary had been allowing money to be drawn from the Bank and advanced upon shares?

Answer.—The money was advanced upon promissory notes, and shares were taken as collateral security. It did not occur to me to tell my brother Directors that the resolution of August 1863 was already a dead letter. I felt sure they all knew it. I approved of advancing on shares which were liable to further calls, and of advancing upon the premia of shares, and of the advances being left entirely to the discretion of the Secretary. I should have approved of anything which gave confidence in the bazaar.

President.—What were the reasons which induced the Directors to pass that rule to advance on shares?

Premchund.—If people found that the Bank of Bombay would advance upon shares, it would give confidence in the bazaar.

President.—Did it not enter into your consideration that there was a good deal of money lying idle at the Bank?

Answer.—No.

President.—It was not that you wanted further credit, but you thought it would give confidence to the market?

Answer.—Yes, that was the reason.

I was not at the Board meeting at which the resolution of the 4th of May 1865 was discussed and adopted. I am quite sure that I did not take any part in the discussion of that resolution. I was at the following meeting, and approved of the resolution come to at the previous one. I would have approved of any resolution which did not tend to restrict the powers of the Secretary. In my opinion the best plan of doing business was to give the Secretary as much power as possible.

President.—We will turn from these general considerations to the particular items in the outstanding debts due to the Bank of Bombay, and your dealings with respect to them. First of all, there is the Alliance Financial Association; were you consulted as to the getting up of that Company?

Answer.—No. The Directors sent me one thousand shares, and I took them. I had no other interest in the Company. I was going to sell my shares next morning, and did sell; but the Directors would not allow me to sell, and so I bought them back again. Dr. Diver and the Directors would not allow me to sell. He said, I must keep them for some time. I and others bought the Mazagon land and Powder Mill from Government, and re-sold to the Alliance Financial Directors. There was no agreement in writing, although it was a sale for sixty lakhs. We never took any writing. I think the re-sale was made a month after. We bought from Government in September, and sold to the Alliance Financial Directors in October 1864. I think about a month after the re-sale we received the earnest money. The Financial Association paid ten lakhs to Government, and twenty lakhs profit to us.

I turn to an entry in my book of the 29th of October 1864 to the credit of Cowasjee Jehangheer, Ritchie, Steuart, Peel, Cassels & Co., Gray & Co., and myself, of five lakhs of earnest money for the sale of the Powder Mills property at Mazagon for sixty lakhs. (Marked R 8.)

I find another entry of the 15th of November of another five lakhs on the same account. (Marked R 9.)

President.—The whole paid up capital of the Alliance Financial was twenty-five lakhs, and a good deal of it was, of course, employed in the business. They would have some difficulty, therefore, in laying their hands immediately on the purchase money for this large property. Did you not undertake to find the purchase money for them?

Answer.—I may have got them the money.

President.—I ask you whether there was not a bill for five lakhs discounted for them at the Bank of Bombay on the 21st of October 1864, and another on the 8th of November for five lakhs.

Answer.—Yes.

President.—Did you not interest yourself, and get these ten lakhs for the Alliance Financial Corporation Directors?

Answer.—They told me at first that they wanted five lakhs, and I said I would get it from the Bank of Bombay, for I thought they were perfectly safe, and I recommended them to the Bank of Bombay. I again recommended them for the second loan of five lakhs on the 8th of November. That was a cash credit for one month. I may afterwards have asked the Bank to extend that cash credit to the Alliance Financial from one month to three. I have not any doubt about it. This letter shown to me of the 26th November 1864 is a letter which I wrote to Mr. Blair, asking for the extension of the loan for three months (marked A 50). I negociated the two loans of five lakhs with the Secretary. I never saw the Chairman on such occasions as this. I used to go to the Secretary at once. When I wanted ten lakhs I went to Mr. Blair for it, although the Chairman was at the Bank for an hour or more nearly every day. I did not communicate with any Director as to these loans. I knew all the Directors. I communicated with Mr. Blair only. Mr. Blair did not ask for any security, and no security was given. The second loan was first of all for a month, and then for three months more. I do not remember that there was any understanding come to as to any renewals.

President.—Were not these two sums of five lakhs paid to you and the other sellers of the Mazagon land and Powder Works? On the 29th of October you got five lakhs, and on the 15th of November another five lakhs?

Answer.—Yes, they may have got it.

President.—Is it not a fact that one of these sums of five lakhs was paid to your account in the Asiatic Bank on the 12th of November 1864? The note was not in the name of the Alliance Financial Association, but in the names of Dr. Diver and others.

Answer.—Yes, the five lakhs came to me.

President.—Have you any doubt but that it was a transaction of yours for the purpose of putting the Alliance Financial in funds?

Answer.—The Alliance Financial wanted money, and I got it for them.

President.—Do you know anything about the bill of the 7th of July 1865 for Rs. 1,06,000?

Answer.—I do not remember it. I knew Ghellabhoy Puddumsey and Hurbhum Nursey, two of the Directors of this Company; they were cotton merchants.

President.—At the time when you were getting the loan extended for the Alliance Financial Association, you were also endeavouring to get loans for these two men from the Bank of Bombay, were you not?

Answer.—I think not; they never asked me to do so.

President.—Look at this letter of the 26th November 1864. Did you not recommend Ghellabhoy Puddumsey to Mr. Blair? Is not that your handwriting?

Answer.—Yes. [Premchund then read the letter as follows :—

"My dear Blair,—Ghellabhoy Puddumsey wants a loan on ten Elphinstone shares for three months, at ten per cent., for twelve lacs; he is quite safe from five lakhs to ten lakhs. For Hurbhum Nursey the same kind of loan is required. Will you give them? They

are both quite safe, and owners and partners of the firms of Sewjee Nursey and Verjee Nursey.

"Yours sincerely,

"PREMCHUND ROYCHUND." (Marked A 100.)]

Premchund.—At that time the men and their firms were quite safe. I am aware that Ghellabhoy Puddumsey, besides being concerned as a Director in the loans to the Alliance Financial Association, also borrowed from the Bank individually, and that there is a large loss owing to his failure.

President.—Did you write this letter, too, on the same day, the 26th of November? (Letter handed to witness.)

Premchund.—Yes.

President.—Read it.

[Premchund then read as follows:—

"MY DEAR BLAIR,—Cassumbhoy Nathabhoy is quite safe for this amount (two and half lakhs), will you discount for him at ten per cent. for three months.

"Yours sincerely,

"PREMCHUND ROYCHUND. (Marked A 101.)

"26*th November* 1864."]

President.—You must have had some heavy operations that day, for you recommended borrowers to the Bank for twenty-six and a half lakhs, besides an extension of a loan of five lakhs for three months?

Premchund.—Yes; but I considered that I was recommending first-class people to the Bank; Cassumbhoy held a vast deal of valuable property at that time.

President.—We have seen the object of part of the transaction; what was your object in recommending Ghellabhoy Puddumsey, who had already such a large sum outstanding as ten lakhs?

Answer.—He wanted to borrow the money on shares.

President.—What did he and Hurbhum Nursey want to borrow the money for? Are you quite sure that they did not want the money to buy shares from you?

Answer.—I don't know; I can tell from my books.

President.—You have no recollection of any transaction with them on the 26th of November 1864?

Answer.—No; I can see from my books.

President.—We will turn to another set of debts which are connected with the Alliance Financial Association; some of the Directors had loans in their own names, George Taylor, Dr. Diver, and Atmaram Madhowjee?

Answer.—Yes, Sir.

President.—Now, can you tell us what was the market price of Back Bay shares on the 11th of October 1864?

Premchund.—(After referring to his books.) Rs. 22,750 premium. I sold twenty Back Bay shares on that day to Taylor, Diver, and Atmaram Madhowjee. To enable them to buy the shares I arranged a loan of Rs. 5,50,000 with the Bank of Bombay for them. I negotiated the loan with Mr. Blair. I did not go to the Chairman. I never went to him or the Directors. I had retired from the Direction a month before. It was my understanding of the way business was conducted, that such large amounts should be granted entirely by the Secretary. Security was asked for the Rs. 5,50,000, and twenty Back Bay shares were deposited. It was arranged that they should be delivered at the time. It was to be a loan upon the twenty Back Bay shares.

President.—Are you not aware that the Secretary had no authority whatever then to advance on shares?

Answer.—He was doing in this way: advancing upon promissory notes and taking shares as collateral security.

President.—But he had no authority to do that, had he, till he got the order of the 12th of April 1865?

Answer.—No; he was not advancing actually upon shares, but he was taking the shares as collateral security.

President.—But you had been a Director of the Bank, and surely ought to have known he was doing wrong?

Answer.—I thought at that time that they were people of means; the shares went up afterwards to Rs. 47,000 and Rs. 50,000. I recommended these persons as wealthy. I thought that they were. They were all engaged in speculations after that time. Diver was a Doctor in this place. I thought Atmaram Madhowjee was a man of wealth. He told me himself that he was worth fifty lakhs. I thought he was worth about fifteen lakhs or twenty lakhs. He told me that he was worth fifty lakhs about December 1864, I think.

President.—I find by the private opinion book, kept by the Secretary for the information of the Directors, that Atmaram is put down with two or three others on January 25th, 1863, as good for about Rs. 20,000; and you on the 21st of October 1864, a month or two before Atmaram Madhowjee and the others got the large loan, stated that he might be trusted to the extent of Rs. 25,000. The entry is as follows: "Premchund thinks Rs. 25,000 enough to advance him." Had you not given that information to Mr. Blair?

Answer.—Yes, I may have given that information to him.

President.—That Atmaram's bills might be discounted up to Rs. 25,000?

Answer.—Yes.

President.—And yet you talk about him as a very wealthy person?

Answer.—That was two months afterwards, when I thought he was worth about fifteen or twenty lakhs; he made a great deal of money in Mazagon and Alliance Financial shares.

President.—Do you mean to say that he made fifteen or twenty lakhs in two months?

Answer.—He might have made that amount of money in one day; people then made fortunes in a day.

President.—Did you consider Mr. Taylor a wealthy person?

Answer.—I always thought he was worth four or five lacs.

President.—We find the following entry against Mr. Taylor's name in the private opinion book: "George Taylor—Premchund considers him safe for a lac." That was your opinion on the 2nd of April 1864?

Answer.—Yes.

President.—And yet you considered him worth four or five lacs?

Premchund.—If a man is worth four or five lacs, and you give him one lac, there is no fear at all.

President.—Was not that book meant for Mr. Blair's guidance?

Answer.—Yes.

President.—Then how came you to recommend persons for a loan of five and a half lakhs whom you had represented in the Bank books as being safe, the one for Rs. 25,000 and the other for one lakh?

Answer.—Because there were twenty Back Bay shares as security. I sold these shares to them for Rs. 5,52,500. On the 12th of October 1864 I received from the Bank of Bombay the five and a half lakhs which they borrowed from the Bank. The certificates of the twenty Back Bay shares were not lodged till afterwards. I promised Blair that I would send them to him, and I sent him ten first and ten afterwards. That was my and Mr. Blair's way of doing business; if I gave him my word he was satisfied. In this case the security was not lodged with the Bank until some time after the loan had been granted.

President.—You gave him the certificates of ten shares in January. When did you get those shares into your possession?

Answer.—I bought ten shares of Ritchie, Steuart & Co., before I made the sale to Mr. Taylor and the other buyers, and I had the whole of the shares all the time in my box.

President.—Why did you not send them at once if you had them in your possession?

Answer.—I forgot the transaction altogether.

President.—Do you not remember receiving a

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letter from Mr. Blair, remonstrating with you for not sending them over before?

Answer.—Yes. The Bank of Bombay never realised the twenty shares, because they were attached by the Sheriff for Atmaram's debt to the General Credit Financial Company; it was not on account of a transaction of mine that they were attached.

I know Pestonjee Cursetjee Shroff. He became a Director of the Eastern Financial Association, Limited. He was formerly a clerk to Cursetjee Cama, then a partner with M. and M. C. Cama and Co., and afterwards he did business of his own. He was doing a large business about October 1864. He is now in the Guicowar's territory hiding from his creditors. The other Directors of this Company were Kessowjee Naique, Aladinbhoy Hubbibhoy, and Cassumbhoy Dhurrumsey. I was not consulted as to the getting up of this Company. It was got up before I was consulted. I was first consulted as to this Company about a month or two after it had been formed. I was asked to take shares and get more Directors. I took one thousand shares in the Company. There was a second issue of shares in the Company. I took five hundred shares of the second issue. I sold sixty-five Back Bay shares in October 1864 to the Company. Some were mine and some belonged to others. The prices were as follows:—There were fifteen shares at Rs. 18,000, thirty-five at Rs. 22,000, five at Rs. 21,500, and ten at Rs. 21,000, making a total of Rs.16,82,500. I do not know how much money the Eastern Financial Association had available at that time. I undertook to find part of the money for the Association. I saw Mr. Blair at the Bank of Bombay, and negotiated with him a loan for ten lakhs for the Association. I told Mr. Blair that he might safely advance these ten lakhs. I may have told Mr. Ryan, the Manager of the Association, to go to Mr. Blair. I am not prepared to contradict Mr. Ryan about it. A promissory note was given for the loan, no security was taken. I received those ten lacs in part payment of the price of the shares. I turn to my cash book for October 1864: there is an entry of eight lacs received. It was a portion of the loan. I paid the cheque to Mr. Scott's account in the Asiatic Bank. I received the other two lacs; I do not remember when I received them. The shares were resold by the Eastern Financial Association, not to me, but to Cursetjee Furdonjee for future delivery. I told them he was the buyer at the time. Pestonjee admitted it, but the Eastern Financial Association tried to hold me responsible for the purchase; I had never guaranteed the sale. I received no brokerage from either party.

The loan of ten lakhs was renewed in January 1865, and it fell due again on the 24th of April 1865. A difficulty was made when it fell due the second time about getting it renewed. The Bank of Bombay insisted upon two lakhs being paid in part payment. I was consulted on behalf of the Eastern Financial Association, and I interposed on their behalf. I told Pestonjee that, if he paid two lakhs, the loan would be renewed. I believe that the Association did not pay anything.

President.—They sent Rs. 1,25,000 to the Bank of Bombay, and instead of that sum being credited to this loan, it was credited to the current deposit account of the Association, which was then in funds; do you know anything about that?

Answer.—I do not remember it, and am not able to explain the matter. I became indebted to the Eastern Financial Association; they made me liable for five lakhs.

President.—Did not you get an advance from the Eastern Financial Association upon the 18th November 1864 of five lakhs?

Answer.—That was not an advance.

President.—It is entered as money paid to you, and it also appears that on the 1st of August 1866 you gave a promissory note for that sum of five lakhs and interest.

Answer.—It was earnest-money on account of the price of land which I sold to the Eastern Financial Association for thirty-five lakhs. This property was then sold to the Frere Land Company for one hundred and four lakhs. I got all my money (the thirty-five lakhs) from the Frere Land Company, the five lakhs still remained in my hands, and I intended to give credit for that amount to Pestonjee Cursetjee, who was indebted to me largely; when the Eastern Financial Association found I had got the whole of my thirty-five lakhs, they said they would debit the five lakhs to my account, and that I must give a promissory note, which I did. The liquidators of the Eastern Financial sent in a claim against me for about twenty-two lakhs, but it was not admitted, and was reduced considerably.

I remember that the Bank of Bombay granted a loan to Messrs. Brown and Best of Rs. 2,50,000. Brown applied to the Bank, and I told Blair to give him two and a half lakhs upon Port Canning shares. I cannot recollect whether that sum was employed by Tracey, Best, and Brown in a speculation in Port Canning shares; there is no entry about it in my books. I had no interest in the speculation. Mr. Tracey did not ask me to recommend them. I did it myself; Brown or Best asked me to recommend them, and I did so. The letter shown to me, dated the 24th February 1865, purporting to be an application by Mr. Brown to Mr. Robertson for a loan of two lakhs and a half is in Brown's handwriting.

I know Mr. De Quadros. He is an Assistant in the office of Messrs. Ritchie, Steuart and Company. I find on looking at my book that he paid me Rs. 62,340 on the 20th July 1864 for two Back Bay shares which I bought for him at the auction. I recommended him to the Bank of Bombay for a loan of Rs. 50,000 by this letter to Mr. Blair now shown to me (marked A 102). The loan was to enable him to pay me for the shares. It has been repaid.

I sold fifty Back Bay shares in December 1864 to Cursetjee Furdoonjee at a premium of Rs. 47,500 each. It was the highest price Back Bay shares ever fetched. The whole purchase was Rs. 26,25,000 for fifty shares, which, divided by fifty, gives Rs. 52,500 for each share with the Rs. 5,000 paid up. He borrowed from the Commercial Bank ten lakhs, from the Royal Bank ten lakhs, and from the Bank of Bombay Rs. 6,25,000, in all Rs. 26,25,000. I arranged for the loan with the Bank of Bombay. I saw Mr. Blair about it. The advance was to be made upon personal security; a promissory note was to be given. I do not remember whether the certificates of ten Back Bay shares were to be deposited. (After referring to his books.) Yes, twenty shares were deposited in the Royal Bank, twenty shares in the Commercial Bank, and ten shares in the Bank of Bombay. The Secretary took a promissory note, and these shares as collateral security. I was a Director of the Bank at that time. I do not know whether this transaction was inserted in the Application Book, or whether it was inserted in the Agenda, for discussion before the full board.

President.—Was anyone consulted but Mr. Blair?

Answer.—At that time Cursetjee Furdoonjee was immensely rich, and could have got any amount of money.

President.—What was the time fixed for the repayment of this loan?

Answer.—I do not remember. The promissory note was signed. The money must have been paid to me by a cheque upon the Bank of Bombay. The letter shown to me is in my handwriting (marked A 103, written to Mr. Blair about the 4th January 1865, and promising to send the ten Bank certificates).

President.—You observe that the cost of these shares was only Rs. 5,25,000 while you borrowed Rs. 6,25,000 upon them. Do you consider that a proper course for a Director of the Bank of Bombay to pursue?

Answer.—Cursetjee Furdoonjee might have got the money without security.

President.—But this was a transaction on the deposit of shares, and it is an undoubted fact that these shares cost Rs. 5,25,000, whilst you got

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Rs 6,25,000 upon these ten shares. Mr. Blair advanced upon these ten shares one lakh more than the highest price ever paid for ten shares in the Back Bay Company.

Answer.—He did not think about the price of the shares; he thought only of Cursetjee Furdoonjee.

President.—When did you deposit the ten Back Bay shares?

Answer.—I do not know.

President.—Your letter of 4th January 1865 says—"You shall have the shares to-day." Did you deposit the shares that day?

Answer.—I do not remember.

President.—Mr. Blair wrote to you about them on the 4th January, and you said in reply that you would give them to him that day; how was it that you did not deposit them until the 5th April following?

Answer.—I do not remember.

President.—What was the price of the shares in April 1865?

Answer.—About Rs. 32,000.

President.—When did you buy the shares you actually deposited?

Answer.—I do not know. I dealt largely in cotton with Byramjee Hormusjee Cama; we had joint transactions together during 1863 and 1864. I think I obtained money for him when he wanted it. Amongst other loans I procured some from the Bank of Bombay for him. He was allowed to overdraw his account at the Bank of Bombay. I do not remember that it was through my influence.

President.—He said so in his evidence: are you prepared to deny it?

Answer.—No. I do not remember the loan or cash credit on the 30th June 1864 for three lakhs, or the loan in October 1864 of seven lakhs, or that of the 16th May 1865 for Rs. 1,25,000. I do not know whether that money was used for our joint transactions.

President.—Are you sure that the seven lakhs which was obtained on the 14th October 1864 did not come to you?

Premchund.—(Referring to his books.) There is no such sum in my accounts. I find an entry of Rs. 1,25,000 credited to the account of Byramjee Hormusjee Cama; but it is in June 1864. In 1864 I sold thirty Back Bay shares to Byramjee Hormusjee Cama. I have sold him many. I find in my book an entry on the 20th July 1864. Byramjee Hormusjee Cama is credited on that day with Rs. 3,50,000. (Entry marked R 12.) I am not prepared to say that the sums obtained by me from the Bank for Byramjee were not paid, either on account of our joint transactions, or for the payment of shares sold to him by me. I am not able to say; he may have used the money to pay me.

I advised Sorabjee Jamsetjee Jejeebhoy to apply for an allotment of Back Bay shares about July 1864. He sent for me and I went to his house; he said everybody had got shares but himself; and I replied, "You must apply for some." He tried Scott and Cowasjee Jehangheer, but could not get any from them. I afterwards sold him forty-three Back Bay shares. Twenty-six shares at Rs. 20,000 premium, and seventeen at Rs. 19,500. He had not the money to pay for the purchase of the whole of these shares, and I undertook to find the money for him. I obtained five lakhs from the Asiatic Bank and five lakhs from the Bank of Bombay. For the loan at the Bank of Bombay I went to the Manager, Mr. Blair. Sorabjee never went to the Bank at all. He paid the money to me on account of the shares; all the shares did not belong to me. He got the loan of ten lakhs from the two Banks on his promissory note; he also promised that when he sold the shares he would pay the money for the two loans; he sold the shares in April 1865 for Rs. 32,000 premium each, but I do not think the money borrowed was ever paid to the Bank. (Points out an entry in his book marked R 13.)

I was shareholder in the Imperial and Banking Trading Company. Merwanjee Framjee Panday and Veerchund Deepchund, two of the Directors of the Company, were great friends of mine, and they consulted me. Veerchund was the Manager for Premabhoy Hemabhoy, and they were connected with me in business. It was a company with unlimited liability. Its paid-up capital was from twelve to fourteen lakhs. I am referred to a report of the Directors of the Company which contains the following paragraph:—"The Directors here beg to express their sense of "grateful acknowledgment to Premchund Roychund, "Esq., for the very valuable assistance invariably "rendered by that gentleman, so as to afford great "facilities in the management of the Company's affairs, "and thus ensure great benefit to the shareholders." I never saw this until I read Mr. Merwanjee's evidence. The Company sent me a copy of the report, but I did not look into it. I gave the Directors advice about buying and selling shares, and whenever they wanted money I got loans for them. I entered into a joint speculation with the Company for the purchase of sixty-five Back Bay shares. The Company had an interest of one-third in the purchase, and I took two-thirds with Mayabhoy the son of Premabhoy Hemabhoy. I was to supply the shares for this joint transaction. I charged brokerage to the seller, not to the Imperial Banking and Trading Company. The Company wanted money to carry out this transaction. Eleven lakhs were required to pay for their one-third share in the speculation. They borrowed five lakhs from the Bank of Bombay, and six lakhs from the Asiatic Bank; but it will not appear in my books. I negotiated the loan of five lakhs from the Bank of Bombay with the Secretary, as I did always. I did not see the Chairman or any of the Directors; there was no difficulty in obtaining the money. It was paid to me. This letter (A 63) is my letter to Mr. Blair about that loan. No security was asked for by Mr. Blair for the five lakhs. The Imperial Banking and Trading Company would not give security; it was a Company with unlimited liability.

President.—Did you not recommend the Company for the previous loan of six lakhs which they obtained from the Bank of Bombay?

Answer.—I do not remember. (A letter was here passed to the witness in which the Company was described as being "quite safe for ten lakhs.") This is my handwriting (marked A 104). I do not think there has been any loss upon the five lakhs.

President.—The amount was reduced to Rs. 2,60,000, and then the Bank had to take eight annas in the rupee for the balance. Did you not apply upon behalf of this Company for another loan of eight lakhs from the Bank of Bombay?

Answer.—I do not remember ever applying to the Bank of Bombay for a loan of eight lakhs for them. The document shown to me (marked A 62) is in my handwriting, and bears the initials of Mr. Blair. I do not remember applying for the eight lakhs.

President.—The Directors say they never heard of it; can you not explain it? You would surely remember having applied for eight lakhs.

Answer.—I do not remember.

I recollect taking upon myself two debts, one a debt incurred by Doongersay Gopajee, the Muccadum of Merwanjee Framjee, for Rs. 2,50,000, and the other by Dhunjeebhoy Pestonjee for two lakhs. I think the Bank of Bombay pressed for payment of these two loans. The Imperial Banking and Trading Company, whose debts they were then, asked me to arrange the matter by transferring them to my account. I went to the Secretary of the Bank of Bombay, and he consented at once. I paid one lakh in part payment.

President.—But was not this the way it was effected? You owed the Imperial Banking and Trading Company a large sum of money, and the Company pressed you for payment?

Answer.—Yes, they told me to pay the money.

President.—And you undertook to take these two debts to the Bank of Bombay off their hands, and thus relieve the Imperial Bank of the liability.

Answer.—Yes, Sir.

President.—By that means you reduced your debt to the Imperial Banking and Trading Company by

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four and a half lakhs, and became so much the more indebted to the Bank of Bombay?

Answer.—The amount I owed the Bank was Rs. 3,50,000, because I paid off one lakh.

President.—But what did the Bank of Bombay say to the transfer?

Answer.—They preferred my name to the others.

President.—They preferred your name with that of Mayabhoy Premabhoy with no security, to the names of these people with the security of Back Bay shares?

Answer.—Yes. I gave my promissory note with Mayabhoy Premabhoy to the Bank of Bombay for Rs. 4,50,000. We gave no security. The Bank of Bombay released these parties and their securities (twenty Back Bay shares), and took a promissory note from me and Mayabhoy Premabhoy instead. I paid off one lakh which reduced the debt to Rs. 3,50,000, and the sum of Rs. 2,80,000 is still due. Mayabhoy Premabhoy did not pay anything. I negotiated this transaction with the Secretary, Mr. Robertson. I do not know whether the transaction was entered in the Register of Bills discounted.

I remember calling upon Cursondass Madhowdass in August 1864. Cursondass said he wanted a loan of four lakhs, and I said I would get it from the Bank of Bombay at once. The money was obtained on a promissory note. I remember entering into a joint transaction with Cursondass Madhowdass and his partners. His firm consisted of himself, Mayabhoy Premabhoy, Muggonbhoy Huttonsing, and Veerchund Deepchund. One hundred Back Bay shares were bought at about Rs. 21,000 premium each. I borrowed Rs. 21,00,000 for this speculation from the Bank of Bombay about the 24th August 1864. Eight lakhs were obtained in the names of Mayabhoy Premabhoy, eight lakhs in the name of Muggonbhoy Huttising, and five lakhs in the name of Cursondass Madhowdass, which, with four lakhs he had previously obtained, made a total of twenty-five lakhs. There were eighty Back Bay shares deposited to secure the twenty-one lakhs; they were deposited afterwards. The whole of the twenty-five lakhs was obtained upon promissory notes. Those loans I negotiated with Mr. Blair. I did not see the Chairman or the Directors. I was a Director myself at that time. I did not mention to any of my brother Directors the fact that I was obtaining twenty-one lakhs for a joint speculation with those parties. No secrecy was observed. The loans were to be paid off on or before the 1st July 1865. It was not a time-bargain. Cursondass Madhowdass said he would not take the loan unless he took it for a long period. I thought the parties might be trusted at that time to that amount. There were three parties liable, and I was liable also, and the Bank of Bombay did not have to look to the parties so much as to the security they had for the loan. It was not understood in the Bank that I was liable.

President.—The Bank did not have security for a long time afterwards?

Premchund.—The share certificates were deposited. I thought the parties entitled to credit for twenty-one lakhs upon the security of shares.

President.—That is to say if the share certificates were delivered?

Answer.—They were delivered.

President.—What did you consider Cursondass Madhowdass was worth; he was the most important man amongst the three borrowers, was he not?

Answer.—I do not know what he was worth.

President.—In the private opinion book there is this entry about him upon the 28th March 1864—"Considered by Premchund as good for one lakh;" and upon the 24th August following Cursondass and the other borrowers, his partners, are entered in the same book on your recommendation, as good for four or five lakhs; yet within a month or so you recommended them for twenty-one lakhs?

Premchund.—But the Bank had eighty Back Bay shares.

President.—Why was your name kept secret?

Answer.—There was no secrecy observed. My name did not appear. I never gave my name anywhere, as I was a broker.

President.—Was it not because you were a Director of the Bank at the time?

Answer.—I never thought of that at the time.

President.—Have you no other reason to give?

Answer.—No.

President.—Premabhoy Hemabhoy was not a broker, why was his name concealed?

Answer.—There was no concealment.

President.—Was his name divulged?

Answer.—It came out afterwards.

President.—I know that; but why did it not come out at first?

Answer.—I don't know: I think he was a Member of the Legislative Council, and that he may not have liked to have had his name mixed up with speculations.

President.—And perhaps you thought that being a Director it was wrong that you should be borrowing money for speculations?

Answer.—I never thought of that at all.

President.—On the 8th December 1865 there was a transfer made, the loans were transferred to the names of the real parties; Premabhoy Hemabhoy took five lakhs out of the twenty-five upon himself, you became liable for nine lakhs, and Cursondass for eleven lakhs; the loss upon the latter's share of the transaction has been Rs. 7,81,000, and, whatever the amount of the security you may have lodged, the loss on your share must be very large, but it is mixed up with your other losses. Were securities lodged upon that occasion, or were they deposited in February 1866?

Answer.—The securities were certainly given before that. Cursondass proposed to the Bank that we should give our names instead of the others.

President.—And did the Bank accept that offer?

Answer.—They thought my name and that of Premabhoy Hemabhoy better than those of the other parties. These transfers of liability were resorted to at the instance of Cursondass Madhowdass. I gave as security to the Bank a lien on my claim for fourteen lakhs against Cursetjee Furdonjee's estate, and Cursondass deposited twenty-three Back Bay share certificates. I do not know the amount of the loss to the Bank. I was well acquainted with Premabhoy Hemabhoy. I had joint transactions with him in trade and in Back Bay shares. I may have recommended him to the Bank of Bombay for a loan of three lakhs in May 1865.

President.—Did you not write a letter to the Manager of the Bank to obtain a loan for him of three lakhs?

Answer.—Yes.

President.—Is that your handwriting (passing a letter to the witness)?

Premchund.—Yes. (Letter marked A 105.)

President.—Had you not some difficulty in getting that loan?

Answer.—I do not know. I asked Mr. Robertson. I don't remember now. I look at another letter shown to me (marked A 106). I received this from Mr. Robertson. It is as follows:—

"Premabhoy Hemabhoy has bills and hoondies falling due in May and June to the amount of Rs. 5,20,000. Do you think we ought to advance him other three lakhs? The Directors to-day appear to think five lakhs to be too much for any one man. Premabhoy is of course undoubted. Please give me your opinion.

"Yours sincerely,

(Signed) "D. Robertson."

I look at another letter shown to me (marked A 107). This is my reply to Mr. Robertson's letter of the 27th April 1865, which has just been read:—

"Hoondies will be paid off at due date; he has no discounts with any other Banks, and I do not think you can find a safer man in Bombay.

"Premchund Roychund."

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Premchund.—So he was at that time. I may have recommended him for another discount upon the 24th June 1855 for two lakhs. This is my handwriting (letter handed to the witness marked A 108). It is as follows:—"The Honourable Premabhoy Hemabhoy "has got bills due to the Bank of Bombay for five "lakhs, and wants you to advance more; he will give "you as many shares as you require." Mr. Robertson had a doubt about that, and I requested him to ask the Directors about making that advance. The first loan obtained upon the 15th May 1865 was not for the purpose of buying shares. Neither of these loans was for purchasing shares with. He sent for me, and told me to try and get the loan. He did not get money to pay me with. He did not owe me any money. I never charged any commission. I never considered it as a sort of brokerage transaction. I never received a commission for loans obtained by me from the Bank. I do not remember whether these sums were obtained for joint transactions between me and Premabhoy Hemabhoy. I look at my books for May and June 1865. I did not receive any money from him at that date. I will not swear that I was not then engaged in a joint transaction with Premabhoy. In May 1865 he owed me about a lakh. I have not been paid yet.

Burjorjee Rustomjee obtained a loan of five lakhs from the Bank of Bombay. He gave a promissory note on the 1st February 1865 with Davidass Luckmidass. I had previously sold him two Elphinstone shares, one of my own, and one of another party. He paid Rs. 40,000 in cash I think, and I obtained for him five lakhs from the Kalbadevi Branch of the Bank of Bombay. Burjorjee told me that he had spoken to Mr. Bullock. I went to Mr. Bullock and told him that if he advanced the money upon shares he would be safe. I went to the Branch instead of to the Head Office, because Burjorjee went there. I did not have any difficulty with Bullock about the matter. I never considered whether he had authority to make such a loan. I am informed that there has been a great loss upon that transaction, almost an entire loss, but the Bank had the security of the shares. I received Rs. 3,65,000, and delivered the shares to the Bank; the shares in the Elphinstone Company were then worth more than Rs. 2,000 premium each.

Candass Narrondass and I traded together jointly for fourteen or fifteen years, down to his failure in 1866. We had one-half share each in those transactions. I always negotiated his loans for him. I may have applied to the Bank of Bombay for an advance of three lakhs to him upon the 8th May 1865. This is my handwriting (letter marked A 68). I think the loan was granted but I do not know whether the money was taken; nothing appears in my books about it.

President.—The money was not drawn out of the Bank, and Candass Narrondass says he never authorized you to apply for it; what is your explanation of the matter?

Answer.—I do not think he knows what he is talking about; I certainly should not have applied to the Bank unless he had asked me to do so. I had a power of attorney from him, but I was not using it then. It was a general power, but I did not act on it except once or twice in selling shares while he was away from Bombay. I negotiated another loan for him from the Bank of Bombay for two lakhs in September 1865, upon the security of shares and goods which were deposited. He was in want of money at that time I think. He was indebted to me, but this money was borrowed to pay for hoondies coming from up-country, which had been drawn on account of purchases of cotton in which we were jointly interested; the loss upon that is thirty-three thousand Rupees. Candass Narrondass was jointly bound with me for the loan to me of twenty-five lakhs.

Veerchund Deepchund was Premabhoy's Moonim. He obtained a loan from the Bank of Bombay upon the 1st of May 1865. I may have recommended him for that loan. I do not remember. These two letters shown to me are in my handwriting (marked A 109 and A 110). It is clear that I did recommend him for this one lakh. I do not remember entering into joint speculation at that time with him and Jaiverlall Umiashunker in Back Bay shares. I am not prepared to contradict Jaiverlall. There was a purchase of twenty Back Bay shares, of which five belonged to each of them and ten to me. We obtained five lakhs from the Asiatic Bank. The one lakh obtained by Veerchund from the Bank of Bombay may have been used for this transaction. Veerchund Deepchund was a Director of the Kattiawar Trading Company also, and as such obtained a loan from the Bank of Bombay on 6th March 1865 for Rs. 75,000 for the Company. I recommended him upon two different occasions. I do not know for what purpose that loan was obtained. Jaiverlall Umiashunker obtained a loan of Rs. 2,25,000 from the Bank of Bombay. I am not prepared to contradict Jaiverlall's statement that the money was borrowed for a joint speculation with me and Veerchund Deepchund. This letter shown to me is in my handwriting; it is to Mr. Blair and contains the words "give Jaiverlall one lakh." (Marked A 111.)

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EXAMINATION CONTINUED.

President.—There are several matters which stood over from the first day, among other things a list of loans and transactions between Roychund Deepchund and James Blair; do you produce them?

Answer.—No, they have not come. I have not received them yet on account of the heavy rains; the trains were stopped yesterday. I cannot produce an account of the loans and transactions between Roychund Deepchund and Mr. D. Robertson, or between Roychund Deepchund and Mr. Bullock. I have not any list of transactions between Mr. D. Robertson and Mr. Tracey. I have been searching my books for them. I do not remember whether there were any transactions between Mr. Robertson and Mr. Tracey. I do not remember any at all.

President.—Were you not on most intimate terms with Mr. Tracey?

Answer.—Yes.

President.—Do you mean to say that he never told you that he had had transactions with Mr. Robertson?

Answer.—I don't remember at all. If I can only trace anything I will tell the Commissioners at once.

President.—But you did not express any such doubts when we examined you the day before yesterday; you said there were such transactions, and that you would be happy to give us a list of them?

Answer.—I said that if there were any transactions I would let you know.

President.—Do you mean to say positively that there were no transactions between Mr. Robertson and Mr. Tracey?

Answer.—I do not remember; if I find any information about any such transactions I will give it to the Commissioners at once.

The three letters now shown to me are in Mr. Robertson's handwriting.

These letters marked respectively R 14, R 15, and R 16, were then read as follows:—

"MY DEAR TRACEY,—The Board had under con- "sideration to-day the different advances made to "Premchund, and with reference to the overdraft of "three lakhs which is guaranteed by you, I have been "instructed to inform you that it is the wish of the "Board that it should be paid up, or covered by satis-

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"factory convertible security, and as Premchund has "done neither, I am requested to ask you for payment "or good collateral security. As Premchund has not "furnished the security he promised when it was "arranged that a loan of twenty-five lakhs would be "given him, I regret the three lakhs cannot be "included in that loan.

"Yours, &c.

"*Bombay, May 22nd*, 1866. D. ROBERTSON."

"MY DEAR TRACEY,—Among the securities given by Premchund against that annoying three lakhs, were fifty-eight Coast and River Steam Navigation shares. We sent them over the other day just to see if they would be transferred, and were told they were *absolutely forfeited* on the 19th June, as he had not paid the last three calls; aggregating Rs. 500 per share. I asked Shepherd if he could not take the money, and the enclosed is his reply. It is a beastly nuisance, as Rs. 2,000 per share have been paid on them. Security against the overdraft is thus diminished by over one lakh of rupees. Do you think he can give anything else instead? Please try him.

"Yours sincerely,

"D. ROBERTSON.

"*Bombay, September 3rd*, 1866."

"MY DEAR TRACEY, — There is another lot of Premchund's securities likely to slip out of our hands for nonpayment of calls of Rs. 150 per share. Is there any chance of his raising the money, Rs. 1,500, before the 7th instant? The security against the three lakhs is gradually disappearing.

"Yours sincerely,

"D. ROBERTSON.

"*Bombay, September 4th*, 1866."

I received from Mr. Tracey the letter now shown to me (marked R 17), which is as follows:—

"MY DEAR PREMCHUND, — I have been disappointed at not hearing from you for the last few mails. Can it be press of work that prevents your writing? I hope not, for all who have been doing any business lately must have suffered from it. Poor Bombay is indeed paying dearly for its short dream of prosperity. One would not have imagined it possible that things would go so completely to the bad. I hope by this time you will have arranged something with Best for me, and I am most anxious to hear something on the subject. I have to write this mail to Robertson about that overdraft of yours which I guaranteed. I fear I may yet get into trouble with the Board about that, as the responsibility rests with me. That matter ought really to have been settled. What balance still remains unpaid? I fancy it cannot be large, as I know you put in certain securities against it. Please let me know about this.

"What are you doing now, and what do you think about future business? Next year there ought to be money made both in Cotton and Goods, as both must have reached almost their lowest now. Remember me to your father and Dossabhoy.

"Believe me, &c.,

"R. L. TRACEY.

"*London, December 3rd*, 1867."

President.—Have you any letters from Mr. Blair or Mr. Robertson relating to the Bank of Bombay or to their speculations in your possession?

Answer.—No. When they wrote to me I generally wrote the answer across the letter I received and sent it back to them. I have searched amongst some of my letters, but not through all yet.

President.—We shall have to examine you at some future time. You say you have searched for letters but cannot find any?

Answer.—I may have received answers to my recommendations on behalf of various parties, and will continue to look for them.

Mazagon Land Reclamation shares were at a premium of from Rs. 5,000 to Rs. 8,000 per share, when the applications were sent to the Promoters of the Company. When the Port Canning shares were allotted the premium was from Rs. 7,000 to Rs. 8,000 per share. The price of Back Bay shares on the 1st of June 1864 was, I think, about Rs. 10,000 premium per share. The *Bombay Times* used to give a correct list of the prices of shares every day. When I want to know the price of shares I look in my books, and then if I don't see any transactions there, I look in the newspaper price list. When other brokers want to know the price of shares they refer to their sale and purchase books.

President.—Now you were speaking the other day of a cheque for eight lakh from the Eastern Financial Association which was paid into Mr. Scott's account; some of the sixty-five shares sold belonged to his family, did they not?

Answer.—Yes, Sir.

President.—There was a great intimacy between you and him?

Answer.—Yes.

President.—I suppose you were anxious to sell these shares and get a profit?

Answer.—He told me to sell them, and I did so. I did not charge brokerage on the sale. I treated it as a friendly transaction. My brokerage upon eight lakhs would have been Rs. 4,000. I never charged him anything for that. There were many persons at that time to whom I did not charge brokerage on business done for them.

The book containing blank forms of promissory notes (marked R 2) is shown to me. Mr. Blair sent it to me, a letter accompanied it, but I have not got the letter. Mr. Blair said that if anybody wanted a discount, if I thought he was a good party, I might fill a form up and send it to him.

President.—What used you to do; was that your mode of proceeding when you wanted a party to get a loan, used you to fill up one of these forms?

Answer.—That is what he told me to do.

President.—Did you follow his advice?

Answer.—I sent one or two; I never sent many of them.

President.—Did the Directors know that you had received this book, and had been instructed to procure parties to get loans from the Bank?

Answer.—I do not think the Directors knew it.

Mr. Melvill.—Had you a book before that, or is that the first?

Answer.—That is the only book I had.

To the President.—I kept current deposit Banking accounts with almost all the Banks. I had accounts with the Agra, the Oriental, the Chartered Mercantile, the Chartered Bank of India, Australia, and China, the Commercial Bank, the Bank of Hindustan, the Royal Bank, the Central Bank, the Asiatic Bank, and the Bank of Bombay. I had no Native Banker. I had dealings with many Native Shroffs. If I wanted money of them I used to get it, and if they wanted money from me I used to give it them. I had no current deposit accounts with them. I had an Agent at Surat, and an account with him; it is in my books. The Bank of Surat did a small business, not much. It opened in August 1865. I had not a current deposit account there. I had only hoondie transactions with that Bank. I know Cumulsee Premjee. He is an Exchange and Share Broker. He is not a connection of my brother-in-law Navulchund Nanchund, but they did business together. There were joint transactions between them.

President.—I think you had transactions with him too?

Answer.—I may have had, I do not remember; if I had, it will be in my books.

President.—Do you remember recommending him to the Bank of Bombay for a loan of three lakhs in April 1865?

Answer.—I do not remember that I recommended him at all; he used to go to the Bank himself. He was doing a large brokerage business. He did not pay me any money in April 1865. There were two small receipts entered in my book in October and November 1865 of Rs. 419-7-0 and Rs. 411 from Cumulsee Premjee. Cumulsee Premjee and Navul-

chund Nanchund, my brother-in-law, entered into large speculations in Elphinstone Land and Press Company shares. I did not recommend Cumulsee for the loans to the Bank of Bombay. I do not remember doing so.

I am referred to the account of my own liabilities to the Bank of Bombay. I obtained a fixed loan on the 9th of December 1865 of nine lakhs. I signed a promissory note with Myabhoy Premabhoy on the 8th December 1865 for Rs. 4,50,000; on the 20th April 1866 I had overdrawn my current account to the amount of five lakhs. In April and September 1865 the Bank discounted two bills for Khuttow Khemjee for Rs. 2,40,000, and I took upon myself that liability to the extent of two lakhs. My total debt to the Bank on the 26th April 1866 amounted to twenty and a half lakhs.

The fixed loan of nine lakhs was made repayable on the 1st of July 1866. It was a portion of the loan made in August 1864 to Cursondass Madhowdass and his partners. No time-bargains were made for the 1st July 1866.

President.—I remark that a great number of these loans which took place at the end of 1864, run to the 1st of July 1865; was not that with reference to some time-bargains? I refer to three loans—that of Cursondass Madhowdass in August 1864, for twenty-one lakhs, another to Dr. Diver of five and a half lakhs, and one to Cursetjee Furdoonjee for six and a half lakhs.

Answer.—Cursondass took a loan of twenty-one lakhs for a long time, so that in case shares did not go up we had plenty of time to sell; there was no time-bargain. Time-bargains commenced in October 1864. I was not asked to pay the fixed loan of nine lakhs, the Bank had security on my claim to the value of fourteen lakhs on Cursetjee Furdoonjee's estate. Neither Mr. Robertson nor any of the Directors asked me to discharge the fixed loan because it was secured. Cursetjee Furdoonjee's estate was, at the time he failed, expected to pay ten annas in the rupee. On the 28th March 1866 I paid one lakh upon account of the joint liability with Myabhoy Premabhoy for Rs. 4,50,000.

The overdrawn account to which reference has been made is the one Mr. Tracey guaranteed to the extent of three lakhs.

I recommended Khuttow Khemjee to the Bank for a loan; he was very wealthy; he was a cotton merchant, and had plenty of money at that time. I look at his letter of the 25th April 1865 to Mr. Robertson (marked A 73) which is shown to me. The words "Premchund thinks he is safe enough on personal security" are in Mr. Robertson's handwriting. I was a Director at that time. I did not tell my brother Directors that it was a joint transaction between me and Khuttow. I do not remember whether I was present at the Board when the loan was granted. I never told any of the Directors that that was a transaction in which I was interested. I never obtained any other advances from the Bank of Bombay in the names of other parties. Khuttow Khemjee's was the only one.

Dossabhoy Dhunjeebhoy had no connection at all with my transactions. He was only my Mehta.

I did not tell the Directors or any of them on April 27th, 1866, when we met at Mr. Lidderdale's bungalow how much I owed to the Bank; nobody asked me. I thought they must know it; none of them asked what I owed the Bank at that time. Mr. Robertson did not speak to me on the subject. I do not remember any reference being made to my large debt on that day.

President.—How did your accounts stand with the different Banks you have mentioned on the 26th of April 1866; were you not very largely in debt to almost all of them?

Answer.—I had bills of exchange running.

President.—That is not an answer to my question.

Answer.—I was indebted to two or three, not more: the Asiatic, the Chartered Mercantile, and the Bank of Hindustan. I think not to the Chartered Bank or to the Commercial or Central Banks. I was indebted to the Bank of Bombay, the Asiatic, and Mercantile Banks, and to the Bank of Hindustan. I was also in debt to the Oriental Bank on that day. I owed them about a lakh secured by ninety-six Back Bay shares. I owed the Mercantile Bank about one and a half lakhs. I owed the Hindustan Bank three lakhs and upwards. I owed the Asiatic Bank twenty lakhs. There was no balance to my favour at any Bank. I had drawn as much as I could from the Banks at that time. I had bills falling due between the 26th of April and the 13th of May amounting to twenty-two lakhs, and I had eight lakhs to pay to the Asiatic and Hindustan Banks and Eastern Financial Association. Altogether about thirty lakhs. It was on the 15th April 1866 that Mr. Robertson asked me for a guarantee for my current deposit account, and it was on the 19th April that Mr. Tracey gave his letter of guarantee.

On the 10th of April 1866 a forged hoondie for Rs. 10,000, drawn on Ahmedabad, was purchased by the Bank of Bombay, the Bank never bought a Native hoondie without a Broker's note attached to it, and on this occasion the forged hoondie had my memorandum or Broker's note with it. Mr. Robertson required an explanation from me about it. I said that I had not bought the forged hoondie, and that the clerk of the Bank of Bombay must have attached one of my notes to it. That man was tried in the High Court. I do not remember whether I was called as a witness at the trial.

President.—You know that you were not.

Answer.—Yes, I was not; but if I had been summoned I should have gone.

President.—You were alleged to be the Broker who recommended the bill?

Answer.—Not the forged bill, Sir.

President.—But you were alleged to have recommended it; I do not mean to say that you did recommend it.

Answer.—Yes.

President.—Did you arrange with Mr. Roberston that you should not be called at the trial?

Answer.—If I had been called I should have gone.

President.—Are you not aware that your absence was very much criticised by the counsel for the defence, and commented upon?

Answer.—If they had summoned me I would have gone there at once. The man when first apprehended offered to give Rs. 4,000 in cash, but the Bank refused to take it. Mr. Robertson was satisfied that somebody had forged the hoondie. I had done nothing wrong, the fault lay with his own clerk. The explanation I gave to Mr. Robertson was that I gave a Broker's note to the proper party, and not with this forged bill at all. I said I thought that the Broker's note was an old one, picked up, and used for this bill, that it was a note got from an old hoondie.

President.—Do you think this transaction had any effect with Mr. Robertson at the time, and induced him to call upon you for a guarantee?

Answer.—He was alarmed at the loss of Rs. 10,000.

President.—That is not an answer to my question; I asked you whether that fact did not affect his opinion of your way of doing business?

Answer.—I do not know that it did, Sir.

President.—You know on the 15th of April he asked you to get a guarantee for your account; about five days afterwards?

Answer.—Yes. I had hoondies coming in on account of cotton. Mr. Robertson knew this; I told him I wanted money to meet some hoondies for cotton. I had dealings at Dhollera, Belgaum, Surat, and Broach; my agents up-country had been drawing upon me freely. I told him I wanted money to meet my hoondies. I told him that I wanted three lakhs. If Mr. Robertson would not have given me the money I could have got it outside. I had not a difficulty in meeting my bills everywhere at that time. I was

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pressed to pay money in Bombay, that was all. I was not pressed to pay any of the twenty-two lakhs which I have mentioned, not at that time.

President.—Mr. Bullock told us that your credit was shaken in Bombay before the 26th April 1866; he had great opportunities of knowing, as he was seeing Shroffs every day.

Answer.—I can show from my books that on one day, the 15th April, I sold my bills on Calcutta to the amount of five lakhs in the bazaar in half an hour, and I could have sold for twenty lakhs if I had wanted the money.

President.—Am I to understand from what you are now saying that this pressure which you felt so much on the 26th April came suddenly upon you?

Answer.—It did come upon me very suddenly. My agents up-country telegraphed that bills were coming in largely from Dhollera. I could not have foreseen that on the 15th. When cotton after leaving Dhollera is stopped on the way we are in a difficulty; whenever the cotton arrives we can get money at once.

President.—Had there been any particular stoppage of cotton at that time?

Answer.—Every year at that time there is; cotton generally gets down in a fortnight from Dhollera, on that occasion it was delayed for a month.

President.—What was the particular pressure upon you on the 26th of April 1866, and what occasioned it?

Answer.—I had to remit money to Broach, Ahmedabad, and Surat, and other places to meet bills. The bills were drawn by my own firm; they telegraphed beforehand that they wanted funds. I did not select the Bank of Bombay as the Bank which I would come upon for twenty-five lakhs. I thought no other Bank but the Bank of Bombay had got twenty-five lakhs. I did not try any other Bank. It is not true that I tried three other Banks to see if they would help me. I did not try any other because I did not think that they had twenty-five lakhs to lend at that time; they were all preparing for themselves. It did not occur to me to divide the sum between different Banks. I was advised by Mr. Macculloch to go to the Bank of Bombay and apply for a loan. He was formerly agent to the Agra Bank, at that time he was a member of the firm of Macculloch, John, & Co., merchants. I had known him when he was Manager of the Agra Bank. He was a great friend of mine. I told him I wanted money. I do not remember having recommended him to the Bank of Bombay for the loan of a lakh in December 1864. He went to the Bank of Bombay for me. I had no account with Mr. Robertson at all. I have no account with him in my books. I looked on Saturday and could find nothing. I do not think Mr. Robertson owed me any money on that day. Mr. Tracey had always an account with me. Before I went on my pilgrimage in December 1865 I settled with Tracey, and I have no account after that. He could not pay, and so I let him off. There was a balance of Rs. 33,836, which was written off on the 18th November 1865.

That was the balance of a running account, but there was another account relating to the joint transactions with Schiller, Hannay, Tracey, and Scott in Port Canning shares, amounting altogether to Rs. 14,15,496, of which one quarter went to the account of Tracey. That came to Rs. 3,53,000. We were each interested in the transaction to the extent of one-fifth, but Mr. Scott declined to take part in it, and the remaining four engaged in the transaction had to take a one-fourth share each.

President.—Did you owe money to any Director of the Bank of Bombay, or did any Director besides Mr. Tracey owe you any money on the 26th April 1866?

Answer.—Will you give me their names?

President.—You met them all at Mr. Lidderdale's, and you should recollect very well, but I will name them all; first, there was Mr. Lidderdale, he owed you no money, and you owed him none?

Answer.—No.

President.—Mr. Brown?

Answer.—No.

President.—Mr. A. Stewart?

Answer.—No. There was nothing owing to me by them or owing by me.

President.—Mr. Chapman?

Answer.—No.

President.—Mr. Norman?

Answer.—No.

President.—Now, I ask you whether one of the inducements you had in going to the Bank of Bombay was not the fact that you had a very good friend on the Direction in Mr. Tracey, and a good friend in the Secretary, Mr. Robertson.

Answer.—I was a friend of both Mr. Tracey and Mr. Robertson.

President.—And was not that one of the inducements for your going to the Bank of Bombay for the twenty-five lakhs?

Premchund.—My only reason was that no other Bank could lend me twenty-five lakhs. I sent Mr. Macculloch to the Bank. He was jointly engaged with me in speculations, in cotton and in shares. I assisted him whenever I could. I do not remember having assisted him to get two lakhs, one in the name of himself and one in that of his firm, from the Bank of Bombay in December 1864. He knew the Manager as well as I did. I did not go myself to the Bank of Bombay, because I was so confused that I did not know what to do. I certainly should not have had more difficulty in speaking to Mr. Robertson or Mr. Tracey than to Mr. Macculloch. I consulted Mr. Macculloch as to what I should do, and he said, that he thought the Bank of Bombay would assist me. I will swear that I did not communicate with Mr. Robertson or Mr. Tracey before I consulted Mr. Macculloch. Mr. Macculloch told me to apply to the Bank for the twenty-five lakhs, for there was no other chance at all of my getting the money. I never consulted with Mr. Tracey or Mr. Robertson about getting the money before that. It never occurred to my mind to get the twenty-five lakhs from the Bank of Bombay until Mr. Macculloch told me to try. Mr. Tracey knew the position of my affairs before that day; he knew that I wanted the money to pay the pressing bills with, I told him. I am quite sure that I never told Mr. Robertson before I sent Mr. Macculloch to the Bank. When Mr. Macculloch returned from the Bank he said he had seen Robertson, and if I applied to the Bank I might get the money. He was only absent a few minutes; the Bank was just opposite. Mr. Robertson's answer encouraged me to apply at once. Neither Mr. Tracey nor Mr. Robertson came to me during the day. I went to the Bank and told Mr. Robertson I wanted twenty-five lakhs if I could get it. Mr. Robertson said twenty-five lakhs was a very large amount. He did not appear surprised, or express any surprise. He asked me what I wanted the money for, and I said for the payment of bills that were falling due. He did not ask me for any particulars; he asked me what security I was going to give, and I said I would give him the security of jewels and landed property. I heard the result of the subsequent meeting of the Directors on that day from Dossabhoy, my clerk; he told me the Directors were going to meet at Lidderdale's bungalow early the next morning, and that I was to attend there. I attended the meeting of the 27th April. I stayed in the verandah of the bungalow. I did not hear what passed. Mr. Robertson came out and spoke to me several times, and sometimes Mr. Tracey came.

President.—Mr. Tracey interested himself for you very much, no doubt he was your friend?

Answer.—Yes, he was working for me. I was informed of the result of the meeting. The first conclusion they came to was, that it was important to prevent my stopping payment; it was more important to prevent my stopping payment then than when I eventually did suspend payment, because almost all the Banks were interested in preventing my failure;

they held my bills which were then running. I cannot state the amount of my acceptances held by particular Banks, but they all had some; they held more then than when I subsequently failed. I think my stoppage in April 1866 would have been worse for Bombay generally than when it did occur. No attempt was made to ascertain the state of my affairs then. My pressing liabilities were asked about, and I gave the Directors a rough memorandum of them. I sent it into the room by Mr. Robertson or Mr. Tracey, but I gave no statement of my affairs generally, no one asked me about them.

President.—Without ascertaining the general state of your affairs, how could they make you any advance with safety?

Answer.—I do not know.

President.—How could they be sure that it would answer, and that you would not fail the next day?

Answer.—I do not know.

President.—Did they ascertain the value of the securities you offered?

Answer.—They asked me the value of the securities, and I put it down. They asked me what the value of the land was, and I put it down upon a piece of paper. I put down the price I had paid for the land. They did not ask me whether the land was unencumbered. I do not remember whether I had the deeds then with me to hand over. I did not estimate the value of the jewels at twenty lakhs, I estimated them at from fifteen to twenty lakhs.

President.—Every witness who has been examined on the point says you put the value at twenty lakhs.

Answer.—No. I always said between fifteen and twenty lakhs.

President.—The jewels were not produced at the time. I was not asked for the entries in my books respecting them to verify my estimate of their value. I bought the jewels in 1862, 1863, and 1864.

President.—Point out the entries in your books showing the cost of these jewels?

Premchund.—Just now?

President.—Yes, now; we will wait whilst you find them.

Premchund.—Some jewels I gave to the Bank of Bombay were my own, and some were my father's.

President.—Show us first of all the entries in your books relating to the jewels which you bought. (The books having been referred to by Premchund and his Mehta without effect, the President added, We will adjourn for a short time presently, and give you an opportunity of finding the entries.) Can you now just point out any large item?

Premchund.—I bought one jewel from Pestonjee Cursetjee Shroff for Rs. 86,000, which came from England. The entry about it is not in my book. The jewel belonged to my father, and I got it from him, and gave to the Bank of Bombay. I bought it on account of my father, and he gave it to me to send to the Bank of Bombay. My father sold his jewels and gave the money to me to assist me. I and my father were not joint in property. My father gave up everything he had to assist me. I help him now. I never told anyone until to-day that any of the jewels were my father's. It is not an attempt on my part to account for the absence of entries in my books. There are the proper entries in my books.

President.—Should we ever have heard of their being your father's jewels if we had not asked you to point out the particular entries in the books?

Answer.—I never considered my father's jewels as separate from my own; I held them as part of mine. I never told anyone until within the last few minutes, that any portion of these jewels belonged to my father; I told nobody; everybody knew that my father sold his jewels, and paid the proceeds to me. My father's books contain entries relating to these jewels.

The Directors of the Bank of Bombay did not give me a good deal of trouble at the meeting at Mr. Lidderdale's by asking a great number of questions. I did not tell Mr. Tracey that I would rather stop payment than be so much troubled by them about the matter. I told Mr. Tracey that if it was not for the interest of all I would rather stop payment.

President.—It is not true then, if Mr. Tracey went in and told the Directors that you said you would rather stop payment than be troubled in such a way?

Answer.—I said to Mr. Tracey that if I did not get the twenty-five lakhs I must stop payment that morning; and that if they wanted to make a bother I would rather stop payment, and that if they made any difficulty about the securities I would give them the names of three other parties as guarantees. I mentioned the names of the three parties at the meeting. The names were those of Candass Narrondass, Roychund Deepchund, and Cursondass Madhowdass; I said that if there was any deficiency in the security those three would guarantee it. I was not called upon by Mr. Kelly, the Bank's Solicitor, or anyone else, to sign any paper upon that day. I gave the names of these parties. I said that if there was any doubt, and it was thought there would be a deficiency on the securities, I would give these three names. The whole of the three have failed. I did not have any conversation with any of the Directors or with Mr. Robertson when the meeting broke up. I went to the house of Candass Narrondass before the close of the meeting, leaving Dossabhoy there. He brought the news of the result. I did not have any conversation with any of the Directors that day. I deposited the title deeds of the landed property the same day I think; not all, some were given afterwards. The jewels were deposited on two different days; first of all I gave them one lot, and then another lot afterwards,—the first lot on the 28th or 29th April. I think on the 29th April, and the second lot about ten days afterwards. I have no memorandum showing the particulars of the jewels deposited, or their value. When I brought the first parcel of jewels I did not say to Mr. Robertson that they were worth Rs. 20,00,000. It was my opinion on the day of this meeting that the advance of twenty-five lakhs would prevent my stopping payment altogether. I expected twelve lakhs on a time-bargain upon contracts for Dhollera cotton. I did not look upon it as a mere postponement of the time when I should fail. The Bank of Bombay offered to give me six months' time for payment, but I said I only wanted the loan for three months. My difficulties came upon me suddenly. I was in constant correspondence with my up-country agents; letters came every morning. There was no pressure on me on the 15th April. In April the time-bargain in Dhollera cotton was falling due, on which I expected to get twelve lakhs, but that failed altogether.

I see from my books that on the 15th April I had to meet Rs. 1,60,000, on the next day Rs. 1,90,000, on the day following Rs. 47,000, on the 19th April Rs. 65,000, and on the 20th April Rs. 87,000. I had to meet eight lakhs in Bombay, not in bills alone, but eight lakhs one way or another; I had some money from Mr. Tracey, which he borrowed from the Asiatic Bank for me, which I only got for a week or ten days, and I had to pay that off. He borrowed four and a half lakhs, and gave the money to me. He obtained the money in Ritchie, Steuart, and Company's name. As soon as the Bank of Bombay had granted me the loan of twenty-five lakhs they telegraphed to the branches up-country to open credits in my favour up to eight lakhs. The first draft which I made upon the loan was upon the 27th April, the day that the loan was granted. I drew out two lakhs to pay the Eastern Financial, and I eventually received the whole twenty-five lakhs. The jewels were valued by Hurryvullubdass Calliandass; he is a *pucka* jeweller. Mr. Crawford valued them. He is not a valuer or jeweller; he knows nothing about jewels. He got a native jeweller to examine them. Rosselet also examined them, he did not know their value: he knew nothing about jewels at all. Mr. Crawford valued them at about three lakhs I think. I do not know what Rosselet valued them at. They were sold for 24,000*l.* about a fortnight ago, and a telegram was sent to England ten days ago offering 30,000*l.*

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Hurryvullubdass did not value them upon my behalf, he valued them for the Bank. I did not pay him for doing so. He valued them at fifteen or sixteen lakhs. He had sold me one for Rs. 65,000, and I afterwards refused to sell it back to him for one lakh and a half. I am quite sure I never paid him for that valuation. I swear that I did not pay him one pie, and that I did not give him any present. If the Commissioners have received information that I paid him Rs. 15,000 it is incorrect. I paid him nothing. I failed on the 19th September 1866. Mr. Ranken, Mr. Cartwright, and Mr. J. L. Scott were appointed Trustees for my creditors. Mr. Ranken is an Assistant to Messrs. Ritchie, Steuart, and Co. Mr. Cartwright was a Public Accountant; he has gone to England. He used to be in the firm of Leckie and Co. Mr. J. L. Scott was formerly in Finlay, Clark, and Co.'s firm, and afterwards he was a Trustee of Cursetjee Furdoonjee. They were elected by my creditors. I have not paid any dividend yet. My estate is likely to pay a very small one. My Trustees have not brought me before the High Court to make me show where all my money has gone to; they can see by my books where the money has gone to. I have not got my discharge yet. I have not any property in the Guicowar's territory. I gave up all my property. My father lives upon what I send him every month. I am doing business as a Broker. I do not account to my Trustees for my earnings. I was bound to give them an account for the first year, and I gave them that. I paid them Rs. 13,000. I am living at Withulwaddy. I am not living in a large house in Love Lane. I had a house there, but it does not belong to me now. The Trustees have not possession of it; it was held by my father in trust for my mother, but subsequently we sold it to Kessowjee Naique. I turn to the account in my book showing the purchase of jewels in the year 1863–64. A balance is brought forward from the previous year of Rs. 95,367 paid for jewels, and in the course of the year 1864 the value of the jewels bought amounts to Rs. 1,43,611–15–0, making a total of Rs. 2,38,979–6–9, which has been carried to the profit and loss account (account marked R 21). In the year 1864–65 there are only two items amounting to Rs. 2,327–8 (account marked R 22). In the year 1865–66 I did not buy any jewels. There are other entries in my books relating to the purchase of jewels in the profit and loss account.

(Examination resumed after a short adjournment.)

I find in the profit and loss account of 1864–65 four entries amounting to Rs. 1,74,492,—these entries are not in the jewel account of that year. There are four other items in the same year, amounting to Rs. 31,822. These entries do not relate to jewels bought to give as presents to friends. I was in the habit of giving presents sometimes. None of these jewels were given as presents. These entries relate to jewels that I gave to the Bank of Bombay. My Mehta says there are other entries amounting to Rs. 36,999; we have not found all yet.

President.— You had considerable experience; what was your opinion of the management of the Bank of Bombay during Mr. Blair's incumbency as Secretary?

Answer.—Mr. Blair was constantly telling me that he wanted to pay a large dividend on the capital of the Bank, he was doing his best; and of course he had to give out a few large loans.

President.—That is not an answer to my question. What is your opinion as to his management?

Answer.—It was rather loose, I think.

President.—What is your opinion of Mr. Robertson's management?

Answer.—He was working during the whole of the crisis, and I think he was acting under the advice of the Directors; the crisis commenced in March or April 1865, when the American war ceased.

President.—Is it not clear, looking at your own evidence, that you used the Bank of Bombay as an instrumedt for the payment of your debts, for keeping up the prices of shares, and obliging your friends?

Answer.—When I got these loans for these people I was buying at a very cheap rate, and afterwards rates went up double and treble; the Bank of Bombay lent money to good people at that time; neither Mr. Robertson or Mr. Blair or anyone else ever had any bad intention.

President.—Is there anything else you have to say? If you have any desire to explain anything in your evidence you had better do so. We are about to close your examination for the present; but we shall probably re-examine you.

Answer.—Mr. Blair himself during the time he was working was working for the good of the Bank and for the shareholders; he wanted to make a large dividend. Mr. Robertson was working during the whole crisis, and for my part I never saw that they were doing wrong. They were both working for the benefit of the Bank of Bombay; they never had the least intention of misusng the money of the Bank at all. I will say one thing about Mr. Hannay: he had a joint account with me in Back Bay and Port Canning Company's shares, but he paid for them all. Mr. Scott had an interest offered him, but he was in England at the time, and he refused to take any interest at all in the transaction.

President.—Is there anything else you wish to say? We wish you to have every opportunity of explaining any part of your evidence that has been taken.

Premchund.—My own opinion is that all these gentlemen never thought of ruining the Bank or doing anything wrong at all, but were working for the benefit of the Bank, and we were all ruined together. I was a very large shareholder in the Bank at one time. I and my father held one thousand shares. At the time when it failed I had more than two hundred shares, my father had sold his shares.

Mr. Melvill.—Regarding the loans on the security of Back Bay shares, what was the object of making them repayable on the 1st July? There was the loan of twenty-one lakhs to Cursondass Madhowdass and his partners; another of Rs. 5,50,000 to Dr. Diver and others, and one of Rs. 6,25,000 to Cursetjee Furdoonjee?

Answer.—The reason was that the borrowers required time.

Question.—But why was the 1st July the date fixed, and not the 1st August or 1st September? Was it not the case that the shares were resold under time-bargains for the 1st July?

Answer.—Yes.

Question.—And when Mr. Blair fixed the 1st July for repayment was he not aware of that?

Answer.—No. It had no reference to time-bargains.

Question.—Then why was the 1st July the date fixed?

Answer.—Because it was the practice to pay interest at the end of the half-year, that is, on the 30th June and 31st December.

To the President.—I had two accounts with the Branch of the Asiatic Bank at Mombadevi; one was a charity account, the other was my private account. I had only one account at the Kalbadevi Branch of the Bank of Bombay.

By Major Innes.—Had not you two separate discounts in the Asiatic Bank?

Answer.—I had one at Kalbadevi.

President.—Not at the Head Office?

Answer.—I don't know, Sir. If you mention the amount I will tell you at once.

Major Innes.—In December 1864 there were seventeen lakhs on one account, on which fourteen lakhs are still due; and you had also another discount going on at the same time. Why should you have had two at one Bank? There are two discount accounts, a current deposit account, and a cash credit,

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all at the same time. Had you any particular object in having so many ?

Answer.—No reason, Sir.

Question.—These separate accounts could not, by any means, have had any connexion with the remark suggested by you on the first day of your examination, that Messrs. Morrison and Blair had an account with the Asiatic Bank in your name ?

Answer.—No.

Question.—The remark you made on the first day had no foundation whatever? Do you assert that your remark that Messrs. Morrison and Blair were able to operate by slips on an account in your name has no foundation whatever ?

Answer.—It has no foundation that I can see from my books or the Asiatic Bank's books.

Question.—There was no such account ?

Answer.—No.

Question.—You are quite certain ?

Answer.—It is not in my books.

To the President.—I know Pestonjee Nowrojee Khras; he was Shroff to Ritchie, Steuart, and Co. The letter now shown to me is in Mr. Robertson's handwriting (marked A 112). I believe there is a large claim still outstanding against him. I recommended him for his first loan. I do not remember recommending him afterwards for the second loan; but he was a very good man, a man of property, with money in the Commercial Bank.

President.—What does Mr. Robertson mean when he writes—"I have been asked to give this man a loan of one lakh;" and then at the end of his letter, "Premchund does not want his name mentioned." Why did you not want your name mentioned ?

Answer.—Because this man was the Shroff of Ritchie, Steuart, and Company. I said to Mr. Robertson, "You can ask Mr. Tracey or somebody else."

President.—Mr. Tracey could still less give him a character than yourself. Mr. Tracey was a partner in Ritchie, Steuart, and Co.'s firm ?

Answer.—Yes, he was a partner.

President.—But why did you not want your name mentioned ?

Answer.—I had no transactions with him.

President.—Were you afraid to recommend him ?

Answer.—I was not afraid to recommend him for a loan on security; I recommended him for a loan of Rs. 25,000.

President.—You appear to have recommended him twice for Rs. 25,000. Are these your letters ?

Answer.—Yes. (Letters marked A 113 and A 114.)

President.—And you cannot recollect that you had any reason for objecting to your name being mentioned other than what you state, namely, that he was a Shroff in the firm of Ritchie, Steuart, and Company, of which firm Mr. Tracey was a partner ?

Answer.—No.

President.—But you had before recommended Pestonjee to Mr. Blair for a loan of Rs. 25,000; you wrote in your letter of the 12th April 1865 (A 114), "the bearer Pestonjee Nowrojee Khras wants a loan of "Rs. 25,000, he is quite safe for the amount; if he "has no former discount, then give it him."

Answer.—That must have been on the security of shares.

For the further evidence of this witness vide page 99 infra.

Mr. Shapoorjee Dhunjeebhoy sworn, examined by the President.

Mr. Shapoorjee Dhunjeebhoy.

I am the late Sir Jamsetjee Jejeebhoy's son-in-law. I obtained from the Bank of Bombay a loan in my own name upon the 20th April 1864 of one lakh, and another of three lakhs in December 1864 jointly with Byramjee Manockjee; the loss on those transactions to the Bank may amount to Rs. 3,20,000. I applied for the advance of three lakhs to Mr. Blair. I was recommended to him by Premchund Roychund. I obtained the loan of three lakhs in order to purchase shares in the bazaar. I bought Back Bay shares, Financial shares, and Port Canning shares. I bought them from persons in the bazaar. I asked Premchund Roychund to procure me the loan. I knew him before I obtained the money; I spoke to him and he said he would speak to Mr. Blair, who told me that if I would get the signature of Mr. Byramjee he would grant me the loan. I personally obtained the loan of one lakh on the 14th April 1864. I negotiated that loan with Mr. Blair himself. I did not get anybody to recommend me for that loan. I was dealing in piece goods, and with that money I paid for some piece goods and some shares in the Financial Association of India and China. I bought those shares from brokers. I do not remember their names. The reason why such a heavy loss has fallen upon the Bank on these advances is, that the crisis came suddenly upon us, and I suffered a great deal. It is true that the crisis did not come till April or May 1865, a year after, but I renewed the loan several times. In January 1865 I paid the Bank Rs. 15,000, and I afterwards gave the Bank seven or eight jewels which I had, and some shares. I do not know whether those shares were sold by the Bank. There was no security taken for either of the loans originally, I have obtained my discharge through the Insolvent Court. I think my estate has not paid any dividend yet; my property was attached by the Asiatic Bank.

Cummulsey Premjee, affirmed.

Mr. Cummulsey Premjee.

I obtained a loan from the Bank of Bombay upon the 4th April 1865 of three lakhs for the purpose of buying shares in the bazaar. I owed money at that time for shares which I had bought. At this distance of time I do not remember the names of the brokers who sold me shares. I negotiated the loan, but I cannot remember whether it was with Mr. Blair or Mr. Robertson. I do not know whether I was recommended by anyone for the loan; they knew me very well. I was a broker. There has been a great loss on the transaction, although the loan was secured. *It was not originally secured, but subsequently, about May 1865, I gave security to the Bank. I gave my property at Tardeo, which was sold recently for Rs.* 24,000. I do not think I obtained that loan through anyone's recommendation. I obtained it on a promissory note. I afterwards went to the Bank and volunteered to give security before the note was due; I think it was not renewed. I failed before it fell due.

Dadabhoy Byramjee, sworn.

Mr. Dadabhoy Byramjee.

I borrowed money from the Bank of Bombay; a cash credit was granted to me on the 17th October 1863 for one lakh; on the 6th June 1864 another cash credit for one lakh; and the last transaction was a bill discounted for one lakh on the 18th March 1865. The total loss on these advances has been Rs. 2,21,793. No security was given for the first or second advance, but a deposit of share certificates was given for the third. I was informed by my friends in 1863 that they were obtaining money from the Bank upon per-

10 Aug. 1868.

Mr. Dadabhoy Byramjee.

sonal security. I cannot recollect who told me. I went to Cowasjee Jehangeer Readymoney, and told him I wanted money, and he went with me to Mr. Blair. I was a general merchant, and wanted the money for my business. Cowasjee recommended me for the second loan; perhaps I used part of the money for buying shares. I obtained a third loan from Mr. Blair and offered security. I required money to pay for Elphinstone Land and Press Company's shares which I purchased at auction. There has been a heavy loss to the Bank on the transactions, owing to the fall in the value of shares and to my failure.

The Bank did not press me much for payment before I failed, but they requested me to pay off the amount. I have taken the benefit of Act XXVIII. of 1865. I have not yet received my discharge.

28 Aug. 1868.

28th August 1868.

Mr. Dhunjeebhoy Framjee.

DHUNJEEBHOY FRAMJEE, sworn, examined by the President.

I am a merchant in Bombay. I obtained a fixed loan from the Bombay Bank of Rs. 2,50,000 on the 28th of March 1865. There has been a loss to the Bank on that transaction of Rs. 1,10,000. I did not give any security to the Bank for that loan. I took a fixed loan rather than a cash credit, because I wanted the whole sum at once. I required the money to pay to the credit of my account current with the Indian Peninsula, London, and China Bank. I did not want it in order to pay for shares. I used to buy shares. I wanted to pay money to different parties. They were Dorabjee Framjee Colah, Messrs. Sorabjee and Nowrojee Nanabhoy, and the Commercial Bank. I negociated the loan with Mr. Robertson. I did not speak to any of the Directors of the Bank of Bombay about it. I was not recommended by anybody to the Bank for the loan. I gave no security. I applied to Mr. Robertson, and he told me that he would give me two and a half lakhs on my promissory note. He did not ask me for any security.

The loan was not renewed. At the due date I paid Rs. 40,000, with the understanding that in a few days I would pay the remainder, but there was a serious panic in the Bombay market. I paid three sums on account, and afterwards compromised for the balance. The Bank of Bombay pressed me for payment; they did not sue me. I negociated the loan with Mr. Robertson, the Deputy Secretary, because Mr. Blair was not in the Bank, and Mr. Robertson was. I do not know whether Mr. Blair was absent opening a Branch at the time.

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Mr. Veerchund Deepchund.

VEERCHUND DEEPCHUND, affirmed, examined by the President.

I was a Director of the Imperial Banking and Trading Company, and also a Director of the Kattiawar Trading Company. I was also Premabhoy Hemabhoy's Moonim. I was a debtor to the Bank of Bombay. I obtained an advance from the Bank of Bombay of one lakh on the 1st of May 1865 upon my promissory note.

President.—There has been a loss to the Bank on that transaction of about Rs. 15,000.

Answer.—I have paid Rs. 85,000 on account of the principal, and Rs. 7,000 for interest. I had a joint transaction with Premchund Roychund and Jaiverilall Umiashunker. This money was borrowed to pay for shares purchased by Premchund on our joint account. Premchund recommended me to the Bank of Bombay for the loan. The two letters now shown to me (marked A 109 and A 110) are in his handwriting. The loan was renewed several times upon my paying something on account upon every renewal. I have not paid the whole, on account of the crisis in Bombay: other creditors came upon me and I could not pay the whole amount. I have not executed any trust deed or gone through the Court.

President.—We will not examine you about the transactions between the Bank of Bombay and the Imperial Banking and Trading Company, as we have already taken evidence about them. You were a Director of the Kattiawar Trading Company, which obtained an advance from the Bank upon a bill or promissory note, dated the 6th of March 1865, for Rs. 75,000, and there has been a loss upon that transaction of Rs. 25,513. Was any security given to the Bank when that loan was granted?

Witness.—I do not remember, but I think security was given. The Kattiawar Trading Company was registered, I think, some time in 1864, but I do not remember exactly. I think the Secretary of the Company has an agreement, in which the signatures of all the allottees of shares appear. The allottees were, I think, almost all of them natives of Kattiawar. The loan was negociated for the Company by Premchund and Jaiverilall, the Secretary of the Company. The letter now shown to me (marked A 65) has Premchund's handwriting upon it. The Company was dealing in cotton, and purchased some Back Bay shares, but I cannot state from memory for what particular purpose the money was borrowed. I can find out by looking at the Company's books. Mr. Roouan is now the Liquidator of the Company, and has its books, I believe. The Company was buying and selling shares at the time the money was borrowed. The Secretary was buying for the Company, but I do not know from whom he purchased the shares. The Company was dealing in cotton in connexion with Messrs. Ritchie, Steuart, and Co., and also with Bharmull Purbhut; it was shipping cotton largely. I think the original loan was one lakh, and that it was subsequently reduced on renewal to Rs. 75,000. The Company was a Company with limited liability. It lost a great deal of money in cotton and upon Back Bay shares; there were two or three Back Bay shares purchased by the Company at Rs. 42,000 premium. The Bank of Bombay sued the Company, and obtained a decree against it for Rs. 55,000, I think. The Bank must have recovered something under the decree to reduce the debt to Rs. 25,000. The certificates of five shares in the Asiatic Trading Company were deposited, I believe, by the Company with the Bank as security.

President.—As Premabhoy Hemabhoy's Moonim, you are of course able to speak to his transactions with the Bank of Bombay?

Answer.—Yes.

President.—He obtained a discount on the 15th of May 1865 of three lakhs, on the 24th of June 1865 another discount of two lakhs, and in December 1865 a fixed loan of five lakhs; he had also a bill discounted at the Kalbadevi Branch of the Bank on the 21st of March 1866 for Rs. 45,000; the loss to the Bank upon those transactions was Rs. 3,89,000, and he has recently effected a compromise with the Bank. Was any security originally given for the advance on the 15th of May 1865 for three lakhs?

Answer.—On the 22nd of June 1865 he deposited with the Bank the certificates of ninety-nine shares in the Bombay and Bengal Steam Ship Company, Limited.

President.—I asked you whether any security was given for the loan at the time when it was obtained?

Answer.—I do not know. I think Premchund recommended Premabhoy Hemabhoy for that loan, which was obtained, I believe, partly in order to take

up some bills that were falling due, and partly to pay for cotton and for general trade purposes. Premabhoy was doing business at that time with many persons. I do not think he was engaged in joint transactions with other persons. About the 15th of May 1865 he was shipping cotton for Sorabjee Jamsetjee Jejeebhoy and sometimes buying with Messrs. Stearns, Hobart, and Co., and Cursondass Madhowdass. I think in 1864 or 1865 he was consigning cotton to England through Ritchie, Steuart, & Co., and through some other people. I do not know that the loan of three lakhs was obtained for any particular purpose, or that Premabhoy had joint transactions with anybody.

President.—We have been told that he had joint transactions with Premchund Roychund.

Answer.—Yes, but not with that money. That money was not required for those joint transactions. Security was given to the Bank for the loan of two lakhs on the 24th of June 1865. I do not remember that anybody recommended Premabhoy for that loan to the Bank of Bombay. Whenever we wanted money we asked Premchund to obtain it. I do not remember whether he obtained this loan, but he may have done so. A letter from Mr. Robertson to Mr. Hannay is shown to me, and a reply from Mr. Hannay to Mr. Robertson (letters marked A 115 and A 116). These letters relate to the first loan of three lakhs in May 1865. I do not recollect how these two lakhs were obtained. I did not negociate the advance with Mr. Robertson. I think the money was wanted to take up bills due to the Bank of Bombay. Bills on Premabhoy had been bought in the interior by the Bank of Bombay, and had to be met; we paid the money to the Bank for those hoondies. I am not able to explain after reading these letters what interest Premchund took in these transactions.

President.—We have taken evidence about the fixed loan of December 1865 for five lakhs; and I shall not ask you about that. Do you recollect the advance at the Kalbadevi Branch in March 1866 of Rs. 45,000? 28 Aug. 1868. *Mr. Veerchund Deepchund.*

Answer.—I do not remember what that advance was required for; I believe it was for trade purposes. We went to the Kalbadevi Branch instead of to the Head Office, because it was nearer to our firm's place of business; it was not much further to the Head Office, not above a mile, but there was no other reason than the one I have stated. I admit that the loans were outstanding at the Head Office for ten lakhs, and another bill for four and a half lakhs in the name of Premabhoy's son, Mayabhoy; but Premabhoy had no business relations with his son at that time, and although Premabhoy had ten lakhs outstanding at the Head Office at that time, that was not the reason why he went to the Branch Office. He could raise money at the Branch; we used to raise money on securities. I do not think he ever received money upon personal security there. I applied to Mr. Bullock at the Kalbadevi Branch. I believe I used sometimes to go in person to him. I do not think that anybody recommended me to Mr. Bullock. I do not remember whether he inquired if there was any money outstanding by Premabhoy at the Head Office. A compromise was lately entered into between Premabhoy Hemabhoy and the Liquidator of the Bank. Premabhoy Hemabhoy did not disappear from Bombay; he went to Bhownuggur, in Kattiawar. He compromised the debt of Rs. 3,89,215 by paying Rs. 50,000, and giving up property which was worth Rs. 50,000 more. The loss on the bill of Rs. 45,000 at the Kalbadevi Branch was included in the compromise. Premabhoy Hemabhoy did not execute an assignment of his property for the benefit of his creditors; there was a private settlement. He did not disappear from Bombay: he could always be found; he was generally living at Ahmedabad; that was his principal place of residence.

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28 Aug. 1868. *Mr. Cowasjee Manockjee.*

COWASJEE MANOCKJEE, sworn.

I was a member of the firm of Manockjee Limjee and Company. I was also a Director of the Bank of Bombay at two different periods. I was first elected a Director on the 22nd September 1864. I resigned in the month of December following. I was elected a Director the second time on the 25th of May 1865, and ceased to act as a Director in the month of April 1866. I resigned at that time on account of ill health, and because I went up to Mahabuleshwur, and could not attend regularly. Many large loans were granted by the Bank about September 1864 on mere promissory notes.

President.—I will refer to some of these large loans, and ascertain what you recollect about them. There was a loan of Rs. 5,50,000 on the 11th of October 1864 in the names of Taylor, Diver, and Atmaram Madhowjee. Had you anything to do with procuring that loan or recommending them for it?

Answer.—No, that loan was granted before I joined the Board.

President.—No, this loan was granted in October 1864, and you were elected in September 1864; do you recollect anything about that transaction?

Answer.—I think they applied for a loan to the Board, and that the Directors granted it.

President. — Where does that appear on the minutes?

Answer.—I think it is in the Minute Book.

President.—No, there is nothing of the kind.

Witness.—Generally the applications came before the Board.

President.—What, at that time? did applications for such loans come before the Board in October 1864?

Witness.—Yes; sometimes they came before the Board and sometimes before the Weekly Committee. I only speak from recollection.

President.—I think your recollection fails you there; at a subsequent period after May 1865 the applications did come before the Board; If you look through the Board minutes prior to that time you will see that applications for loans are not mentioned.

Witness.—They may have gone before the Weekly Committee; it was a general rule of the Board to appoint weekly a Committee consisting of several Directors; the applications were sent round to them, and they always gave their individual opinions.

President.—Do you mean to tell us that the application for this loan of Rs. 5,50,000 ever came before the Directors?

Answer.—I do not recollect. I cannot account for Rs. 5,50,000 being lent without any security whatever to Taylor, Diver, and Atmaram Madhowjee. I do not consider that it was a prudent advance for a Bank to make.

President.—Do you recollect another transaction in October 1864, the advance of ten lakhs to the Eastern Financial Association upon a promissory note?

Answer.—I knew that the loan was granted. I was not aware of it at first; but a few days after the advance had been made, I became aware that a large loan had been granted to the Eastern Financial Association, and I asked Mr. Robertson about it; he told me that some of the Directors had agreed to the advance being made, and that the loan was granted. I first heard about this loan to the Eastern Financial Association, I think, from Mr. Robertson. When I

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Mr. Cowasjee Manockjee.

went into the Bank, I asked what transactions had taken place, and he told me that this loan had been granted. I do not remember whether he told me the names of the Directors who had sanctioned the loan, but I think he always consulted the President and one or two other Directors. I do not recollect who was President at that time.

President.—Mr. Birch, was he not?

Answer.—I think so. I was dissatisfied about this loan of ten lakhs to the Eastern Financial Association. I did not object to it; the loan was already granted, and I could not object; my colleagues had granted it. I spoke to the Secretary, and said that it was a very large loan, and that I did not think it ought to have been granted; he said that the Eastern Financial Association had sufficient funds to warrant the Bank in granting the loan. I did not think it necessary to make any further remonstrance in the matter. I knew something of an advance of five lakhs by the Bank of Bombay on the 21st of October 1864 to the Alliance Financial Corporation on a promissory note. I knew of that advance at the time it was granted. The loan was granted to the Directors of the Alliance Financial Corporation. I think that loan was negociated between the Secretary of the Bank of Bombay and the Directors of the Alliance Financial Corporation. The Secretary granted that loan, I believe, on his own authority. I came to know that in the same way in which I became acquainted with the advance to the Eastern Financial Association before. I went to the Bank and inquired either of Mr. Blair or Mr. Robertson as to the transactions which were taking place, and he told me of this loan. I did not say anything about that transaction, for, before I could make any objection, the Secretary told me that the Directors were sufficient, and that the Bank was guaranteed by the seal of the Corporation. I do not recollect a loan of five lakhs being granted to the Alliance Financial Corporation on the 8th November 1864. I think I was absent from Bombay at that time. I remember an application to renew that advance for another three months. They applied to have their first loan extended, and their second also. I do not know who interested himself in that matter. I did not approve of these two loans of five lakhs to the Alliance Financial Corporation being granted on mere promissory notes without securities. I objected to the first loan, and the answer I got from the Secretary was, that the parties were sufficient, and that the Directors had agreed to grant the loan. I did not object to the second loan. To my inquiries as to the second loan I received a similar answer. I asked him how he had granted such a large loan after the one they had already granted, and he said that it was only a temporary loan. I knew Pestonjee Cursetjee Shroff. I knew of loans being granted to him on his mere promissory notes. I did not take my objection to them; the loans were granted by the other Directors. My approval was never asked for before these loans were granted. The Secretary had gigantic powers; he sometimes asked the Native Directors for their opinion, and sometimes he did not. Sometimes he spoke to me previously to granting loans, and sometimes afterwards. I remember that a loan of five lakhs without security was made by the Bank of Bombay to the Imperial Banking and Trading Company on the 8th of December 1864. I think that loan was granted by the Secretary of the Bank.

President.—Was it granted on his own responsibility under the gigantic powers which you refer to?

Answer.—I think so. I cannot name the exact date when I first knew of that loan being granted to the Imperial Bank. I became aware of it whilst I was a Director of the Bank; I do not remember how I became aware of it. I did not object to it, but the information I got from the Secretary was that Merwanjee Framjee Pandy was one of the promoters, and was Chairman of the Company, and that the loan was required for some share transactions. I heard that from the Secretary, either from Mr. Blair or Mr. Robertson, I do not recollect which. Mr. Blair was the Secretary in April 1864, but he was often absent from the Bank. I perhaps objected to the loan, but the Secretary satisfied me about it. I recollect that a loan of three lakhs was granted on the 14th December 1864 to Shapoorjee Dhunjeebhoy and Byramjee Manockjee. It was granted by Premchund; I heard of it shortly afterwards. I was a Director at the time. I did not approve of that transaction. The loan was originally granted to Shapoorjee Dhunjeebhoy, who was afterwards pressed by the Bank, and then Premchund obtained the signature of Byramjee Manockjee as a surety. I was still dissatisfied after the joint signatures had been given, but the Secretary told me that Premchund had said that Byramjee was worth several lakhs of Rupees, and that he was a relation of Cursetjee Furdoonjee. I do not remember an advance of Rs. 6,25,000 being made to Cursetjee Furdoonjee on the 28th of December 1864. I did not hear of that at the time. I afterwards looked into the books of the Bank, and in that way became aware that such a loan had been granted to Cursetjee Furdoonjee. I had nothing to do with the granting of any of these large loans. When I objected to certain loans I always wrote to the Secretary, or spoke to him about them. I have no copies of any letters with respect to these particular loans, but I have copies of many other letters. I do not think I wrote to the Secretary between September and December 1864. There were some smaller loans recommended by me during the time I was a Director; I recommended a man named Muncherjee Framjee. On the 20th of October 1864 he obtained a cash credit from the Bank of Rs. 50,000. There has been a loss on that of Rs. 33,000. No security was taken from him for the loan, because it was the rule of the Bank to grant loans on personal security. Sometimes I objected to that practice. I thought Muncherjee Framjee was sufficient, but at the same time I think I may have written to the Secretary recommending him to take the opinion of other Directors. I always did that whenever I recommended any person. I wrote to inform the Secretary that he should consult another Director. This cash credit of Muncherjee was renewed repeatedly. I was present at a Board Meeting at which it was referred to me to make inquiries about his means of payment. I inquired in several quarters, and at the same time the Honourable Rustomjee Jamsetjee told me that his circumstances were very bad. The letter now shown to me is my letter reporting on the matter to Mr. Robertson (letter marked 117 A). Muncherjee offered to give the Bank some shares to compromise the debt. I do not remember whether he offered to pay Rs. 5,000. His relatives, I think, did. I did not take any efficient means to make this man pay. The bank did not press him for payment. That was the business of the Secretary of the Bank. The Bank did not sue him. I was only to inquire and report on the subject. He did not become insolvent, or execute a trust deed. The Bank has never taken any steps against him to recover the Rs. 33,000 still due by him. I cannot account for that. There was another loan which I recommended, when out of office, an advance of Rs. 60,000 to Hormusjee Pestonjee and Mr. Cooper on the 12th of February 1865. There has been a large loss upon that, I understand, rather more than one-third. At the time I recommended Mr. Cooper he was doing a good business, and was a partner in the firm of Fulcher, Cooper, and Company, and Hormusjee was his broker. I recommended them to the Bank, but I could not grant a loan, as I was not a Director; it was entirely in the hands of the Secretary. I cannot account for the total loss on the loan of one lakh, recommended by me, and granted by the Bank, to Homejee Cursetjee Dady. He was a first-class merchant in Bombay, and one of my relatives. I recommended him to Mr. Robertson for this loan, which the Directors must have sanctioned, unless Mr. Robertson granted

it on his own responsibility. I am not able to give you any explanation about that loan. On the 6th December 1864 I recommended the Bank to make an advance of one lakh to Ruggonath Vittoba; I was not Director at the time. Ruggonath Vittoba was formerly Head Clerk to Leckie and Co., and afterwards took a pension, and was carrying on business on his own account. I do not think that he was speculating in Back Bay shares. He did not deposit any security for that loan. He did not deposit five Back Bay share certificates. I think that loan was paid off.

To Major Innes.—He was not Cashier to Manockjee Limjee and Company, but he had an interest with us in some dealings in shares as well as cotton.

President.—Shortly after you left the direction a cash credit of five lakhs was obtained from the Bank by your firm of Manockjee Limjee and Company; it was granted on the 14th of January 1865.

Witness.—Yes. I am referred to the Application Book; I see that on the same day there is this entry in the Application Book—"Manockjee Limjee and Company, a cash credit Rs. 1,20,900," secured by deposit of Government notes. I do not recollect whether that is in addition to the cash credit of five lakhs or not. These transactions were for the most part managed by my senior partner. The books of our firm were certainly accessible to me. I think it must have been part of the five lakhs. I cannot say why the whole sum of five lakhs was not mentioned in the Application Book. I do not know in what way the Bank people kept their books. This is the first time I ever saw this book.

President.—Was it not laid on the table at all your meetings?

Answer.—No, I do not think so.

President.—Not at the Board meetings?

Witness.—There were several books lying on the table.

President.—Was not that one of them?

Answer.—It may have been.

President.—You never looked at it?

Witness.—No.

President.—What am I to understand from your answer? was the sum of Rs. 1,20,900 a part of the five lakhs or not?

Witness.—I think it was a part of the five lakhs.

President.—Then why is it represented in the Application Book that you were only applying for Rs. 1,20,900?

Witness.—I think my firm kept two or three kinds of accounts with the Bank.

President.—But these are both cash credits?

Witness.—Yes.

President.—You will find that there are two other items, one on the 11th of January of Rs. 89,000, and another on the 2nd of February?

Witness.—These relate to Limjee Manockjee individually and not to our firm. He was the senior partner in my firm; he used to obtain loans on his own account. I cannot say why the whole sum is not mentioned in the Application Book, but only that sum for which security was given. I do not recollect when I got back that Government paper. We could not have it back unless the loan had been paid off. We never paid off the five lakhs, but we must have paid that sum of Rs. 1,20,900. I cannot give any further explanation about the matter.

President.—For what purpose was that sum of five lakhs obtained in January 1865?

Witness.—My firm used to do a large business with several English houses as brokers.

President.—Am I to understand from that answer that it was merely obtained for your general business, and not for any particular speculation of that time?

Witness.—My firm used to do a general business, and as brokers for other houses, and I think this loan was taken for our general business purposes. I negociated that loan with the Secretary, Mr. Blair. No one recommended us.

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President.—I suppose you were able to recommend yourself, having been a Director a few days before?

Witness.—No; previous to my going into the Directorship my firm used to transact a large business with the Bank. I did not recommend them. It was well known to Mr. Blair that I was partner in the firm of Manockjee Limjee and Company.

President.—You said that you were re-elected a Director on the 26th of May 1865?

Answer.—Yes, Sir.

President.—Did you not attend the first Board meeting after that, on the 1st of June 1865?

Witness.—Yes.

President.—Was not the failure of Messrs. Leckie and Company announced at that meeting?

Answer.—Yes.

President.—And was it not announced at the same meeting that you had endorsed one of their bills for Rs. 90,000?

Answer.—I think so, but I cannot tell exactly.

President.—You can look at the Board minutes?

Witness.—Before looking at the Board minutes I must explain that my firm had applied for a second loan, and the President requested me to retire from the room before the application was considered.

President.—I am glad to find that you retired; you are mentioned as having been present at the meeting. I believe that an application came on that day for an advance of four lakhs to your firm; and you offered as security Government paper and shares in the United Victoria and Colaba Company: could not your firm have paid the bill of Rs. 90,000 if they had not obtained a loan?

Witness.—My firm could have paid the Bill. I asked Mr. Robertson, after the meeting, about the discussion, and why the President had asked me to retire from the room, and he said that there was a discussion as to granting the loan to my firm. I said that the loan had been already granted, when my brother, who was my partner, applied for it four days previously to this meeting. I recollect Robertson saying that the application had been brought before the Board, and the Board had granted it. I suggested that I should take up Leckie's bill, and that he should allow some rebate.

President.—Did you deposit the Government notes for Rs. 60,000?

Witness.—I do not recollect. These transactions were entirely negociated by my brother; after I became a Director I did not like to interfere in such matters, so I told my brother to do so.

President.—Do you not think it was your duty as a Director to see that the Bank obtained all the security that was promised?

Witness.—Yes, but I kept myself back because I was a Director.

President.—Did the Bank ever get the Rs. 60,000 worth of Government paper?

Witness.—I do not recollect.

President.—Some share certificates were deposited, were they not?

Witness.—Yes; the certificates of one hundred shares in the United Victoria and Colaba Company.

President.—How did you manage to get rid of the promise to deposit Rs. 60,000 worth of Government paper?

Answer.—I do not recollect.

President.—It could not have happened without your knowledge; how was it you were never called upon to deposit that paper?

Answer.—I do not know; the management of the matter was entirely in the hands of my partner, and I did not interfere at all.

President.—Was anything ever said at the Board about the Government notes never having been deposited?

Witness.—No, nothing at all.

President.—For what purpose was that sum of four lakhs obtained?

Witness.—At that time we were in want of money; the English houses for whom we acted as Brokers

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Mr. Cowasjee Manockjee.

had bought a large amount of cotton, and we wanted to pay for it. The English houses bought cotton, and we used to pay the money to the cotton merchants, and as soon as the English firms drew bills the money was paid back to us. I cannot say that it was only as agents for English houses that we wanted the money. We used to transact business in cotton on our own account also, sometimes jointly with English houses, and sometimes with some of our English friends, and also with natives. I do not recollect any particular transaction for which this four lakhs was wanted. I am referred to the minutes of a Board meeting held on the 29th of June 1865; the following minute appears amongst others:—

"Read letter from Premchund Roychund tendering "his resignation as a Director of the Bank. Resolved "that his resignation be accepted on condition that he "will still continue to do his utmost to recover payment "of Bills discounted and Loans granted by the Bank; "and that he will attend the first Annual General "Meeting of the Proprietors, and that he will in writing "agree to these conditions." There were very discreditable rumours in the bazaar about Premchund and the Bank, and I think Premchund was compelled by some of the Directors to resign his seat at the Board. I do not remember the names of the Directors who compelled him to resign. Some of the Directors were opposed to his leaving the Board; I was one of them; he had granted such large loans to many parties, and I thought that if he retired there would be more difficulty in recovering the money. Most of the Native Directors were in favour of Premchund. I do not know who proposed the terms which were imposed on him; there was a discussion, and it was resolved that his resignation should be accepted on those conditions. I believe that we afterwards received a letter from him agreeing to those conditions. I am referred to the Board Minute of 6th July 1865,* by which the Secretary was authorized to attend meetings of the creditors of parties indebted to the Bank. I think that resolution was proposed by Mr. Hannay, the President, and that the other Directors unanimously agreed to it. It was not opposed by anybody, but some words were altered by Mr. Lidderdale, or some English Director. There was no discussion at all about it, but a few words were exchanged. I do not think that it was a prudent course to grant the Secretary power at his discretion to agree to any resolution proposed and agreed to by the representatives of other Banks. I understood that before signing any deed he must report to the Directors.

Mr. Melvill.—I understood you to say that in 1864 the Secretary generally consulted the Directors about advances and discounts?

Answer.—I think so.

Mr. Melvill.—When you were on the Weekly Committee yourself, as you were twice, were they ever referred to you?

Answer.—Yes.

To the President.—I produce a number of copies of my letters to Mr. Blair and Mr. Robertson, and some letters which I received from them.

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Witness recalled.

This is a copy of a letter which I wrote to Mr. Robertson on the 28th August 1865 (marked A 120). I produce his reply to it, dated the same day (marked A 121). I received the letter shown to me dated the 6th March 1865, from Mr. Robertson; it is in his handwriting (marked A 122).

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Mr. Gungadass Toolseydass.

28th August 1868.

GUNGADASS TOOLSEYDASS, affirmed.

I am a Clerk in the service of Madhowdass Ghella. My name is on three promissory notes discounted at the Kalbadevi Branch of the Bank of Bombay. The first is dated the 25th of May 1865, and was given by me jointly with Dadabhoy Jewanjee and Vizbhoocundass Luckmeedass for Rs. 15,000; the loss on that transaction has been Rs. 10,673. On the 26th May 1865 I signed another note jointly with Dadabhoy Jewanjee and Cursetjee Framjee for Rs. 35,000; the loss on which has been Rs. 34,183. On the 26th May 1865 I signed a third note jointly with Nusserwanjee Nowrojee for one lakh. The loss on that has been Rs. 77,265. The Bank has paid calls upon the shares deposited with it as security to the amount of Rs. 6,800. Shares were deposited for the first loan of Rs. 15,000. In May 1865 I deposited nine shares of the Land Investment Company, and on the 7th of December 1866 lodged further security. We gave further security when the value of shares began to decline. No one recommended me for these large loans. At that time I was a broker. Mr. Bullock, without any recommendation, made the loans on the security of shares. I was not known to Mr. Bullock. I heard that the Bank of Bombay was making advances on the security of shares, and I applied. I was not recommended by anyone. Vizbhoocundass Luckmeedass and the other parties to the loans were my customers, and the money was required for their use. I was only taken as the surety. In all cases I gave my signature as security. I was not possessed of any property. Mr. Bullock did not make any inquiries as to whether I had property, or about my affairs. Vizbhoocundass Luckmeedass was a trader in pearls. He was no relation of Davidass Luckmeedass. He was no relation of the Shroff at the Kalbadevi Branch of the Bank of Bombay, not even his caste fellow. I was not recommended to Mr. Bullock for the next loan of Rs. 35,000 with Dadabhoy Jewanjee and Cursetjee Framjee. Dadabhoy and Cursetjee dealt in shares at that time. They were speculators. I do not know whether they were known as such to Mr. Bullock. As I was their broker I became security for them. I wish to explain that I originally obtained all the money in my own name in 1864. I borrowed one and a half lakhs, and when it fell due Mr. Bullock said that I was merely a broker, and asked me to whom the shares which had been deposited as security for the loan belonged. I gave him the names of all the persons to whom they belonged, and Mr. Bullock required me to bring them to his office. The loan was then apportioned according to the shares of the respective parties, and the three promissory notes were given. I obtained the original loan of one lakh and a half from Mr. Bullock, because the security which was deposited on account of the loan was worth at the time two lakhs. I was not recommended to Mr. Bullock in 1864, but he sent for his Shroff, Balkissondass, and he acted as interpreter between me and Mr. Bullock. There was also a Purvoe present. I knew Balkissondass before that, but he did not recommend me for the loan. He and the Purvoe merely acted as interpreters. Sometimes one interpreted, and sometimes the other. They did not vouch for me. Mr. Bullock had the power to grant the loan or not, just as he chose. I did not know the Purvoe previously. I had no property at all.

* *Vide supra* page 13.

28th August 1868.

28 Aug. 1868.

Mr. Thomas Crawford.

Mr. THOMAS CRAWFORD, sworn.

I am an Auctioneer. I was employed by the Bank of Bombay to value jewels said to have been deposited by Premchund Roychund with the Bank. I was employed and paid by the Bank. The jewels were examined by me on different occasions. I examined some of them on the 3rd and 4th May 1866; my valuation of those jewels was sent to the Bank on the 8th May 1866. The jewels were shown to me at the Bank; there was no list of them; I made a list of them myself. I produce a copy of it with my valuation of the various articles (marked S 1). Mr. Fraser was present at the time when I inspected the jewels, sometimes Mr. Rodgie, and sometimes both, and I believe Mr. Lidderdale came up once or twice. I examined a second batch of jewels afterwards. I also made a list of them. I produce a copy of it with the valuation upon it (marked S 2). I sent the second valuation to the Bank on the 23rd May 1866. The amount of my first valuation is Rs. 2,74,292, and of the second Rs. 61,255, making a total of Rs, 3,35,547. I did not see Premchund Roychund about the matter. I did not see Hurryvullubdass Calliandass, or Rosselet's man; no other valuer was present; my valuations were entirely independent reports of my own. I think the jewels would have sold better in India than elsewhere,—they were better suited to Indian tastes. I do not know how much they realised. I am not surprised at being told that they realised less than my valuation. I think they would fetch the price I put upon them even now.

28th August 1868.

28 Aug. 1868.

Mr. Hurryvullubdass Calliandass.

HURRYVULLUBDASS CALLIANDASS, affirmed.

I am a jeweller in Bombay, and doing a large business. I was not employed to value the jewels deposited by Premchund with the Bank of Bombay, but on one occasion Premchund took me to the Bank. He told me that he wanted me to declare the fact of my having sold him a necklace for Rs. 65,000, and that I had offered to buy it from him again for one lakh. I went to the Bank with Premchund. I saw there two European gentlemen whom I did not know, and whose names I do not know now. Two tin boxes were produced, and one of them was opened, and the first thing that was taken out of that box and shown to me was the diamond necklace. Premchund asked me "Is this the diamond necklace "you sold to me for Rs. 65,000? and did you not "afterwards offer to buy it of me again for one lakh? "and did I not decline to sell it to you at that "price?" and I said "Yes." At that time I had a rich customer, the Guicowar. I was in the habit of getting large prices from the Guicowar, and therefore I wanted to buy the necklace back from Premchund. I did not offer to buy it there and then; I had only been anxious to buy it at a previous time. I did not make any valuation of the jewels there. I only valued four wristlets; they were diamond wristlets. I was asked as to the quality of the diamonds, and I said that they were second class diamonds; and I was asked as to the rough weight of each of them, and I said that each of them would weigh about a carat. I did not make a valuation of the whole of the jewels. I am not able to tell you what they are all worth. If Mr. Robertson, the Secretary of the Bank of Bombay, has said in the deposition given by him in the suit pending between the Bank of Bombay and the Oriental Bank that I valued them at between fifteen and sixteen lakhs, it is untrue. [The President reads from a copy of Mr. Robertson's *de bene esse* examination in suit No. 317 of 1868 in H.M.'s High Court, Bombay, between the Bank of Bombay, plaintiff, and the Oriental Bank Corporation, defendant, the following passage: "I also got "Hurryvullubdass Calliandass, a well-known jewel "merchant in Bombay, to look at them, and give me "an idea of the value. He valued them at between "fifteen and sixteen lakhs of rupees."]

Witness.—I did not give any such value.

[The President also reads from the same deposition the following passage: "He seemed to know the "jewels very well."]

Witness.—I could only identify the necklace which I had sold.

President.—Mr. Robertson also states in his deposition as follows: "I do not remember when Hurry-"vullubdass saw the jewels; I think it was in the "month of May 1866."

Witness.—I do not remember the date. I wish to add that I have not received any money from Premchund.

28th August 1868.

28 Aug. 1868.

Mr. Jean Courvoisier.

JEAN COURVOISIER, sworn.

I am in the employ of Messrs. Rosselet and Co. of this place, and have some knowledge of the value of jewels. I was employed to value the jewels stated to have been deposited by Premchund Roychund with the Bank of Bombay. A gentleman came from the Bank of Bombay and asked me to go with him and value some jewels, and I went with him. I was paid by the Bank of Bombay. I examined all the jewels which the gentleman showed me. I do not recollect the date. It may have been the 28th April 1866. The gentleman I have mentioned was the only person present. I began to examine the jewels, and the gentleman took down the prices as I mentioned them. After I had given the value of a few of the jewels he sent a note down to a gentleman in the Bank.

Question.—Did he leave the room?

Witness.—Yes, he shut up the boxes of jewels and left the room. I do not know where he went to. He was absent some minutes; when he returned, as well as I can remember, he said it was all right, and I went away. I do not remember whether I resumed the examination of the jewels after he returned. I made a valuation of the whole of the jewels. I was engaged about half an hour in valuing the jewels. The valuation was only a cursory one. I do not remember the exact value of the jewels, but I think the value was about two or three lakhs. I did not take any note of it. The gentleman wrote down the prices. It was between two and three lakhs. I think they ought to have fetched a good price in Europe. Some of them had been set in India, and some in London and Paris. In valuing the jewels I did not put selling prices upon them, but the prices which I would have been willing to give for them.

28th August 1868.

28 Aug. 1868.

Mr. Bomanjee Framjee Cama.

BOMANJEE FRAMJEE CAMA, sworn.

I obtained an advance by way of discount from the Bank of Bombay on the 1st of May 1865 of one lakh. I do not remember whether the loss on that bill has been Rs. 18,000 and odd. I have not got a statement of the loss on each transaction. I know the aggregate loss on all the transactions. I had had many former dealings with the Bank. I believe my Head Clerk negociated the loan with the Manager of the Bank. The letter now shown to me is my letter applying for the advance (marked A 118). No one recommended me for that advance at that time, but subsequently, in 1866, there was some hesitation on the part of the Manager of the Bank of Bombay to make advances to me, or to renew. I wished for a renewal, and got Mr. Hannay to recommend me. This letter is in Mr. Hannay's handwriting (marked A 119). The loans which I obtained from the Bank in 1865 amounted to about Rs. 6,10,000, and I have paid off the whole amount, except about Rs. 20,000. I observe written across my letter (A 118) applying for an advance of one lakh the words "with great "pleasure : give him. P.R." I do not know the handwriting. I am not a great friend of Premchund Roychund. The Manager may have consulted him. The Bank never took any security from me. The reason why the Bank did not take security was, that my firm had extensive transactions with the Bank, and very good credit.

31st August 1868.

31 Aug. 1868.

Mr. Dossabhoy Dhunjeebhoy.

DOSSABHOY DHUNJEEBHOY, recalled.

I was Premchund Roychund's Manager. There are three accounts in my name in the books of the Asiatic Bank. Only one of these accounts was my own. I look at the cash credit account opened in my name in the Asiatic Bank's books on the 4th of April 1865 (marked T 1). That was not my own account. Premchund Roychund was interested in it, but was not solely interested in it. It relates to transactions in Back Bay shares. That account, so far as it was kept in my name relates to the purchase of twenty-five Back Bay shares. The entire account relates to fifty Back Bay shares, but twenty-five of them were bought after the account had been transferred from my name. The parties interested in the account were Premchund Roychund himself, Mr. Blair, Mr. Tracey, Mr. Morrison, and Mr. Hannay. The account was opened on the 4th April 1865, as I said, and shows that the first cheque was drawn against the account upon the 4th April 1865. The account so far as it stood in my name was closed on the 30th June 1865. I have not the exact date, but I see, on looking at the account, that it was closed on that date. I was a debtor on that account, on the 30th June 1865, to the amount of Rs. 7,52,260–1–9. Upon the 30th June 1865, the account was transferred from my name to that of Premchund Roychund. The account increased until in June 1866 there was a debit against the account of Rs. 11,32,538–2–3. I do not know when the Back Bay shares were disposed of. I see by the account that the fifty Bombay Reclamation Company's shares were taken over by the Asiatic Bank at Rs. 2,700 each, upon the 24th January 1867, and a balance remained due upon the account of upwards of ten lakhs. I do not know whether that money was all lost.

I am referred to another account in my name in the Asiatic Bank's books (marked T 2). It relates to Bank of Bombay shares. I have not in my possession any letters or papers relating to either of these two accounts. I had a letter in the shape of a guarantee, holding me harmless in respect of the first account relating to the Back Bay shares. That letter was returned to Tracey by order of Premchund, when the account was transferred from my name to that of Premchund. I remember that the guarantee was signed by all the five persons who were interested in the account. I was debited with Rs. 4,05,900 in the account which relates to one hundred and eighty Bank of Bombay shares on the 9th November 1864. That was the price of the shares, I think, and that money must have been paid to Premchund. Had no letter of guarantee with respect to this account relating to the Bank of Bombay shares; the persons interested in the account were, I think, the same, Mr. Premchund himself, Mr. Tracey, Mr. Blair, Mr. Hannay, and Mr. Morrison.

I remember Mr. Lawrence, the Liquidator of the Asiatic Bank, coming out to Bombay. He made a claim on me in respect of this account. He called me in, and told me that there was a large balance due by me to the Asiatic Bank. The matter was afterwards compromised by Premchund paying Rs. 5,000 in cash and handing over one Back Bay share. The last instalment of the Rs. 5,000 was paid on the 27th March 1868, leaving a balance due upon the account of Rs. 2,85,743–5–1, which was transferred to the account of Bad and Doubtful Debts.

I am referred to another account in the Asiatic Bank's books in the name of Nusserwanjee Ruttonjee & Co. I do not know who were interested in that account, but Nusserwanjee Ruttonjee & Co. were not. Candass Narrondass was a partner in that firm. I do not know whether my master had any interest in Candass' share in that firm. The account was transferred from the name of Nusserwanjee Ruttonjee & Co., into that of Custoorchund Roychund, who is the brother of Premchund Roychund. When Mr. Premchund's credit became shaken in the bazaar I think Nusserwanjee Ruttonjee & Co. required either to have the account settled, or to have it taken out of their name. They did not acknowledge it to be their account. I heard that Mr. Morrison, Mr. Tracey, Mr. Premchund, and others were interested in it. Premchund Roychund will be able to state who was interested in that account. I think Custoorchund will not be able to say who were the parties interested, because he only signed the promissory note at the bidding of his brother. I took Custoorchund with me, at the desire of Premchund, to Mr. Morrison at the Asiatic Bank, and the account was transferred from the name of Nusserwanjee Ruttonjee & Co., to that of Custoorchund Roychund. I think a bond or promissory note was also signed by Custoorchund for the balance. I did not learn who were the real parties interested in the account. Custoorchund said, I think, that he was not at all interested in the matter. Premchund was not present. Although I was so confidentially employed by Premchund I am unable to state from my own knowledge who were the real parties interested in the transaction. I had no access to his books, which were all kept at his house. I was managing his business in the Fort. I think Custoorchund Roychund is in Bombay, but I have not seen him for the last two or three days. There is a decree out against him in the High Court.

I look at a paper which is shown to me : this is a list of Premchund's jewels delivered to the Bank of Bombay; it is in my handwriting. (List marked A 123.)

31st August 1868.

31 Aug. 1868.

Mr. Hormusjee Nowrojee.

HORMUSJEE NOWROJEE SAKLATWALLA, sworn.

I am a partner in the firm of Nusserwanjee Ruttonjee & Co. I joined the firm in April 1864. Candass Narrondass was a partner in the firm. I do not know whether Premchund Roychund had any interest in the share which Candass had in the firm. There was an account standing in the name of my firm, in the books of the Asiatic Bank, besides our current deposit account. It was a loan account. I did not know anything of it when it was originally opened. I became aware towards the end of August, or the beginning of September 1865, of that account having been opened in our name in the books of the Asiatic Bank: I look at the account in the Cash Credit Ledger of the Asiatic Bank. It appears to have commenced on the 26th August 1865—(account marked T 3). When I became aware of the existence of that account I repudiated it altogether. I had occasion to go to the Asiatic Bank, when Mr. Baker told me of the transaction. He said he had completed the purchase. I asked him what the transaction was, and he said thirty-seven shares in the Back Bay Company had been bought for us. I said "I have nothing "to do with it and know nothing of it." He told me that Mr. Morrison had given him orders to make the purchase. Mr. Morrison had gone to Poona at the time; and I said "Upon the arrival of "Mr. Morrison you can ask him, but we never gave "him any order to purchase those shares upon "our account." On receiving information from Mr. Baker I went to Premchund and asked him about the transaction: he said that we need not be afraid; that it was not our account, but that of other persons. I went over to the Asiatic Bank and expressed the greatest anxiety to have our firm relieved from liability about the transaction, for I did not like it to stand in the name of my firm; the account was then transferred to the name of Custoorchund Roychund. I do not know who were the persons really interested in that account.

Custoorchund Roychund, called, does not appear. Premchund admits having received a summons from him, and adds that he only comes to the house on Sundays.

31st August 1868.

31 Aug. 1868.

Mr. Premchund Roychund.

PREMCHUND ROYCHUND recalled.

President.—We shall go through the different matters on which you promised to give us more information. First of all we will go into the account of your purchases of jewels. I have made a summary of the purchases as they appear in your books. In the Hindoo year 1918 (1861–62) I find that you expended on jewels a sum of Rs. 23,155–1–6; in the Hindoo year 1919 (1862–63) a sum of Rs. 95,367–7–9; in the Hindoo year 1920 (1863–64) a sum of Rs. 1,43,611–15–0; in the year 1921 (1864–65) two sums of Rs. 2,327–8–0, and Rs. 54,459–9–0; and in 1922 (1865–66) a sum of Rs. 13,879–7–0, making a total value of Rs. 3,32,801. You also credit your father with jewels to the amount of Rs. 1,47,000, making the sum total Rs. 4,79,801. Are not these the correct figures taken from your books?

Answer.—These are the amounts of the entries of jewels purchased, which I found in my books and showed to the Translator.*

President.—Did you not give away a great number of these jewels?

Answer.—I do not know at all; there are many items not found in my books.

Question repeated.

Answer.—I gave away some of them.

President.—I find in the jewel account of 1920 (1863–64) the following credit entry:—"Credited to "Jewels Account Rs. 2,38,979–6–9, being the amount "due on Jewels Account; but as the jewels were "presented to different persons, it became a part of "the Expenditure Account, and the amount has been "debited to Profit and Loss Account." Now does it not appear by this that you had given away a number of these jewels?

Answer.—I have included in those given away those given to my wife and children, but I took all the jewels back from them, and gave them to the Bank of Bombay. I gave very few jewels to other persons. I did not give away a valuable pair of earrings entered in the account for the year 1921; the entry is "Ear-"rings given to a European Rs. 16,000," and there is a debit to Profit and Loss, on the 22nd November 1864, as follows:—"Purchased jewels from Parsee "Dossabhoy Hormusjee a pair of diamond earrings for "presentation to a European Rs. 16,000." The earrings were intended to be presented, but were not presented, and were delivered to the Bank. I only gave away jewels of small amounts, just Rs. 100, Rs. 200, Rs. 500, or Rs. 1,000. I gave away a diamond necklace to a European of the value of about Rs. 30,000.

President.—What was the name of the European to whom you gave the diamond necklace?

Answer.—Mr. Scott.

Witness.—My father assisted me liberally, and gave me very handsome jewels to deposit with the Bank of Bombay. His houses and lands were at my disposal: he assisted me as much as he could. I have been through my books with the Translator, and pointed out the entries relating to twelve different properties purchased by me, and the prices which I gave for them. I made over to the Bank the property called Dhackjee's Chawl. I gave five lakhs for it, sold it for ten lakhs, and repurchased it for ten lakhs. I made over to the Bank all the properties purchased by me. The Tardeo property was made over to the Bank. In the list of the properties which have been sold, furnished by the Liquidator of the Bank, now shown to me, it is entered as No. 6. The entry in my book relating to it is as follows: "Debited to the account of landed property at Tardeo, "Rs. 71,710." I gave the title deeds to the Bank: but they do not know where they put them. The property comprises 64,000 square yards. The Bank has not sold it. They could not sell it without the title deeds.

My book contains an entry of a purchase of land near Mahim, for Rs. 26,191. I did not deliver that to the Bank of Bombay; it went to my trustees.

I am referred to the entry in my book of property at Parell: "Paid through Mr. Crawford on a joint "account with Premabhoy Rs. 54,970 for 27,485 "square yards." The Bank obtained possession of that land. Two or three of these properties have been entered together in the list under item No. 8—Foras lands measuring 126,000 square yards. Some of the properties stood in my name, and Premabhoy Hemabhoy had a share in them. Others stood in his name and I had an interest in them. I gave up whatever

* Vide Exhibits marked R 21 and R 22.

31 Aug. 1868.
Mr. Premchund Roychund.

properties were standing in my name to the Bank of Bombay, and Premabhoy released his interest in them.

The house at Malabar Hill, which cost me Rs. 1,43,000, was sold for Rs. 60,000. The other property at Malabar Hill, for which my father is credited with Rs. 80,000 in my book, sold for Rs. 35,000.

The properties, altogether, have realized only Rs. 5,22,200. There was a very great depreciation of property between the time when these properties were purchased, in 1864 and 1865, and the time when they were sold by the Bank of Bombay. There has been a very great depreciation in the value of landed property in Bombay.

The jewels which were sent to England sold for Rs. 2,40,000. Some others were sold in Bombay for Rs. 10,000, and those sold in Calcutta realized Rs. 3,309, making a total of Rs. 2,53,309. The whole amount realized by the Bank for jewels and land together is Rs. 7,75,509.

I am referred to the loan account opened in the books of the Asiatic Bank in the name of Nusserwanjee Ruttonjee and Co. Mr. Morrison opened that account. Candass Narrondass was a partner in the firm of Nusserwanjee Ruttonjee and Co. I had a share of one-half in the interest of Candass Narrondass in the business. I think that the other partners knew that. I think Hormusjee Nowrojee knew it. Mr. Morrison opened that account with my consent. I see that debits only are entered in the account, there are no credit entries in it. The debits relate to the purchase of Back Bay shares. The shares were purchased in the bazaar from different parties. I did not furnish the shares. Mr. Morrison purchased them and debited the cost of them to this account; Mr. Morrison and Mr. Tracey were the persons really interested in that account, no one else that I remember.

President.—Then with what view did you point out that account to Nowrojee Furdoonjee, the Interpreter, if those two persons only were interested in the account? Be careful as to what you say; did you not tell Nowrojee Furdoonjee that Mr. Blair had an interest in the account?

Witness.—Yes; I said that he had an interest with Mr. Morrison.

Question.—I ask you whether Mr. Blair had an interest in that account?

Answer.—Yes, he had an interest with Mr. Morrison. Mr. Morrison and Blair were speculating together in Back Bay shares. I say that from my own knowledge of it. I pointed out that Morrison and Blair were partners in the other account relating to fifty Back Bay shares. The loan account in the name of Nusserwanjee Ruttonjee and Co. was commenced in August 1865. Mr. Blair was interested in it though he had left the country then. He left Bombay a few days after the other account relating to the fifty Back Bay shares was commenced. At the time when the fifty shares were bought Blair was not in Bombay; but he was interested in them. The account was opened in the name of Nusserwanjee Ruttonjee and Co., because Mr. Morrison could not give his own name to the Bank. The account was never operated on upon the credit side, because shares were always going down every day. That account was afterwards transferred from the name of Nusserwanjee Ruttonjee and Co., to my brother's name.

About December 1865 or January 1866, Mr. Morrison asked me to get the acknowledgment of Nusserwanjee Ruttonjee and Co. to the account, and they refused to have anything to do with it. I heard the evidence given by Hormusjee Nowrojee, the partner in that firm: his evidence is correct. I got my brother to sign a promissory note to the Asiatic Bank for the amount due at the foot of the account. My brother Custoorchund is not in business; he is under my control, and dependent upon me. I sent him with Dossabhoy to the Asiatic Bank to settle the account.

When Mr. Lawrence, the Liquidator of the Asiatic Bank, came here, he wrote to my brother for payment of the note; my brother was going to Mr. Lawrence to tell him that he had no interest at all in the account, and that it belonged to Morrison and Tracey, but I told him not to go. I went to Mr. Morrison, and Mr. Morrison himself told me to get my brother not to say anything about it. I told Mr. Lawrence that my brother had no money: he was satisfied that my brother had nothing to pay with. I deposited some securities with the Asiatic Bank. Mr. Morrison asked me to give some security, and I did so. Reads from the Loan Register of the Asiatic Bank the following list of securities—"Three hundred and "twenty-five shares in the Financial Association of "India and China, forty-eight shares of the Bombay "Press Company, seven shares of the Framjee "Cowasjee Spinning and Weaving Company, eight "shares of the Bombay Royal Spinning Company, "sixty-five shares of the Broach Cotton Mill Com-"pany, five hundred shares in the Carnatic Coffee "Company, a promissory note from Rustomjee "Jehangir to Premchund Roychund for Rs. 58,000, "seventy-five shares in the Viegas Patent Slip "Company, seven shares in the Iron Ship Company, "and five shares in the Union Ship Company." I deposited these securities only to oblige Mr. Morrison and my friends. I had no interest in the account. They asked me to give some security and I did so; they said it was to give the account some appearance, to show that the Bank had some security.

President.—Do you mean in order to make it seem a *bonâ fide* account?

Witness.—Yes. I have no further explanation to give. I just tell you what I remember, Sir. I have no letters or anything at all from them. I am referred to the following entry in pencil, which appears at page 32 of the Loan Register of the Asiatic Bank against the thirty-seven Bombay Reclamation Company's shares:—"31 name A. M., 6 name A. B. C." I believe that it is in Mr. Morrison's handwriting.

I turn to the account in the name of Dossabhoy Dhunjeebhoy, in the Cash Credit Ledger of the Asiatic Bank, commencing on the 4th April 1865. The persons interested in that account were Mr. Morrison, Mr. Tracey, Mr. Hannay, Mr. Blair, and myself, and also Mr. Scott, but he refused to take an interest in it. It relates to the purchase mentioned in my former evidence of fifty Back Bay shares for Rs. 12,59,000. On the 30th June 1865 Dossabhoy was a debtor to the Bank on that account, to the amount of seven lakhs and upwards. That balance was transferred from Dossabhoy's account to a new account which was opened in my name. That account increased to upwards of eleven lakhs by June 1866. On the 24th January 1867 the Back Bay shares were taken over by the Asiatic Bank, and the debt was reduced to about ten lakhs, which was eventually lost.

I am referred to the account of Dossabhoy Dhunjeebhoy, in the Current Account Ledger of the Asiatic Bank for November 1864. It relates to a purchase of one hundred and eighty Bank of Bombay shares. Dossabhoy is debited in that account with the sum of Rs. 4,05,900; that was the cost of the shares, and was paid to me. The persons interested in that account were Morrison, Tracey, and myself, I think. I do not remember that anybody else was. As far as I can remember there were only three, but Dossabhoy tells me Blair was also interested in it. I do not remember whether he was interested in it or not. Mr. Lawrence, the Liquidator of the Asiatic Bank, made a claim on Dossabhoy for payment of the amount due on the account. The matter was settled by the payment of Rs. 5,000 in cash, and the delivery of a Back Bay share. I furnished Dossabhoy with that share, and the Rs. 5,000 in cash. I was under trust at the time, but I was trading at the time and afterwards. The compromise was effected in January 1867. I became insolvent in September 1866. My

Trustees were not acquainted with this transaction on my part.

President.—*Your books do not appear to contain any charge for brokerage against Mr. Blair for buying or selling shares for him; did he pay you any brokerage?*

Witness.—No; I never asked him for any, and he never paid me any. My usual charge for brokerage is one half per cent. upon share transactions. At that time I was doing a large business, and had not time to make out bills: persons sent the money to me, or put it down to the credit of my account. Mr. Blair never paid me any brokerage, neither did Mr. Robertson, but he only did a small business with me.

I am unable to give any further information about the item of Rs. 4,950 which was paid by Mr. Blair to me. It relates to some transactions between Mr. Blair and Mr. Barnes, who is now in England. He is Inspector of Branches of the Agra Bank. The other item of Rs. 2,929, paid by Mr. Blair to me in connexion with the sale of Back Bay shares to Jaiverilal Umiashunker, was paid for interest up to 1st July 1865; it was a time-bargain. Mr. Blair entered into one or two time-bargains. He was not in the habit of entering into time-bargains.

I stated the other day, when I was examined with regard to my position on the 26th of April 1866, that I only owed the Bank of Hindostan about Rs. 3,00,000. I am informed that it appears from the books of the Bank that I owed them Rs. 5,00,006 on the general account, and Rs. 1,06,783 on a loan account, making a total of Rs. 6,06,789; I may have owed the Bank of Hindostan that amount: there were redrafts which they have since debited me with. I mentioned what was in my books.

I am referred to my father's books. I turn to his account with Mr. Blair: it shows that many sums were advanced by my father, Roychund Deepchund, to Mr. Blair during the years 1919, 1920, and 1921 (1863 to 1865). It appears from the account with Mr. Blair for the year 1919 in my father's ledger, that Mr. Blair received on the 26th November 1863 from my father Rs. 4,000, and on the 8th of August 1864 a cheque on the Asiatic Bank for Rs. 20,000, and another small item of Rs. 19. At the end of the year a balance of Rs. 20,000 was carried over to the next account: that balance was due at the end of the year 1919 from Mr. Blair to my father. It appears that there were shares purchased by my father for Mr. Blair and sums paid for calls on shares in the year 1920, and that Mr. Blair was debited with sums amounting to Rs. 1,68,000: the sum of Rs. 1,15,500 was received on the other side, and the balance at the end of the year 1920 due from Mr. Blair to my father was Rs. 52,792.

The next account for the year 1921 shows that Roychund Deepchund advanced Mr. Blair for calls on shares, and in the purchase of shares, and in cash, a very large sum of money: the account was balanced on the 24th of April 1865, just before Mr. Blair left Bombay, by the payment by Mr. Blair to my father of Rs. 1,51,875, the amount due from him. I do not know whether that money was raised by Mr. Blair by the mortgage of his Bank of Bombay shares.

I am referred to the account of Mr. Robertson of the Bank of Bombay in my father's ledger, for the years 1920–21 (1864 to 1866). It appears from that account, that in the year 1920 my father advanced several sums to Mr. Robertson, amounting in the whole to Rs. 46,529, that my father received in the same year about Rs. 34,000, leaving a balance at the end of the year of Rs. 12,529 due from Mr. Robertson to my father, Roychund Deepchund. It also appears from that account that in the year 1921 my father, Roychund Deepchund, lent Mr. Robertson several further sums of money, that he received on the other side only Rs. 800, and that there was a balance due at the end of that year from Mr. Robertson to my father of Rs. 75,240. My father's books for the next year are not produced, but that account was finally squared by my father taking over from Mr. Robertson his shares in the Bank of Bombay.

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Mr. Premchund Roychund.

I am next referred to Mr. Bullock's account in my father's ledger, for the years 1920 and 1921; it appears from that account that in the year 1920 Roychund Deepchund lent several sums of money for payment for shares and for calls on shares to Mr. Bullock, and a balance appears at the end of the year against him of Rs. 18,600. It appears that my father continued to make advances to Mr. Bullock in 1921, and that the account was made up with interest and paid by a cheque for Rs. 19,970 upon the Kalbadevi Branch of the Bank of Bombay. It also appears from my father's book that after that account was finally settled my father paid Mr. Bullock another sum of Rs. 2,000, and that part of that sum is still due from Mr. Bullock to my father.

I do not know that my father had any other account with any other officer of the Bank of Bombay. I am referred to his book. I see that he had an account with Mr. Smith of the Bank of Bombay. There appears to have been due by him to my father a sum of Rs. 2,202–0–8. I think that he was an Accountant in the Bank, and afterwards went to the Financial Association of India and China. I do not know of any other account between my father and any officer of the Bank of Bombay.

My books do not contain any account of shares bought and sold by me for Mr. Robertson; I referred to his account with my father. I am referred to an account in the Ledger of the Asiatic Bank. It is an account with Mr. Robertson. It is headed "Special, "against his liability on A. B. C. shares." (Account marked T 4.)

President.—The period during which most of the loans were made by the Bank of Bombay, which have ended disastrously, was from the 1st of July 1864 to the 1st of May 1865, about ten months; during the greater part of that time you were a Director of the Bank, and when you were not a Director you were, as a broker, constantly in the Bank, doing business with Mr. Blair?

Witness.—Yes.

President.—I suppose there is no man in Bombay that we could select better qualified to tell us how the business of the Bank was transacted, is there?

Witness.—There are plenty of other men in Bombay who were Directors of the Bank. I know something of the way in which the business was conducted. During the time when Mr. Blair was Secretary, Mr. Birch was Chairman. I think he attended at the Bank every day, or at all events almost every day, just to talk to Mr. Blair and consult about the business of the Bank. He used to come every morning from his house. Sometimes he would stay for one or two hours. Mr. Blair attended regularly at the Bank. I had many opportunities of observing how he conducted the business of the Bank. He was doing business very freely, with a free hand.

President.—Whom did he consult in carrying on the business?

Witness.—I think that he most probably consulted Mr. Birch.

President.—Do you not know? We do not want probabilities. We do not know that we could select anybody in Bombay who could give us more correct information than you about the matter.

Answer.—He always consulted Mr. Birch. When I used to go to Mr. Blair I used to find him talking to Mr. Birch, and I have asked him sometimes when large loans were granted if he had consulted any Directors, and he said that he had had full authority and that he had consulted some of them.

President.—Did he tell you whom he consulted?

Witness.—He said that he had consulted Mr. Birch; he always told Mr. Birch what business he had done. He used to consult me sometimes upon some points; he used to ask me about the credit of parties, whether they were good or bad, even if I was not a Director. He chiefly consulted me with respect to Native constituents. Mr. Birch was not well acquainted with

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Mr. Premchund Roychund.

the credit of parties generally; he knew some of them. Mr. Blair left Bombay, I think, by the first steamer for England in May 1865. Mr. Hannay was Chairman during part of Mr. Robertson's time, and afterwards Mr. Lidderdale. Mr. Robertson used to consult Mr. Hannay about everything; they were constantly writing to each other. Mr. Hannay attended regularly at the Bank, he used to attend almost every day; the Bank was very near his office. Neither Mr. Birch nor Mr. Hannay ever consulted me directly as to the conduct of the business of the Bank, but they asked me about the credit of parties sometimes. I am referred to Mr. Tracey's letter* to me of the 3rd December last, in which he says: "I "hope by this time you have arranged something with "Best for me." It refers to Mr. Tracey's account with the Asiatic Bank, and it is settled. He wrote to Best, I think, and asked him to settle his account. It had nothing to do with the Bank of Bombay. I know Merwanjee Nusserwanjee Bhownuggur. The letter now shown to me is in my handwriting (marked A 124). (The President quotes from the letter as follows:—"Merwanjee is worth fifteen lakhs, but "he is a large speculator, and may lose the whole in "three days; still give him one lakh and risk it. "Yours truly, P. R.") That was my advice. I thought the Bank might lend him one lakh.

President.—The Bank seems to have acted upon this advice; this note was written about the 23rd December 1864, and on the 21st January 1865 the Bank lent him Rs. 1,50,000, and has lost of that Rs. 1,25,000.

Witness.—The Bank ought to have considered what I wrote.

I have looked into my books to ascertain the prices of shares. The shares of the Asiatic Bank were at one hundred and fifty-one per cent. premium when the second issue came out. I cannot find any entry about the shares of the Mazagon Reclamation Company. I said before that they were at a premium, but that I could not give the exact price. I remember that Mr. Robertson's share was sold at Rs. 8,750 premium. The shares of the Frere Land Reclamation Company were at Rs. 6,200 premium before the time of allotment. The Bombay Shipping Company's shares at the time of the allotment in 1863 were at Rs. 1,500 premium. The shares of the Port Canning Company were at Rs. 7,000 premium on the 1st of February 1865. The shares of the United Victoria and Colaba Company were at Rs. 8,500 premium on the 28th of January 1865, the date of the allotment. The new shares of the Elphinstone Land and Press Company were all sold by auction; there was no allotment made of them.

I remember the loan to Cursetjee Furdoonjee of Rs. 6,25,000 from the Bank of Bombay to pay for ten Back Bay shares. The shares only cost Rs. 5,25,000, although the Bank advanced him Rs. 6,25,000. He purchased altogether fifty Back Bay shares; he borrowed ten lakhs from the Royal Bank, ten lakhs from the Commercial Bank, and Rs. 6,25,000 from the Bank of Bombay: that was the total cost of the fifty shares. Mr. Blair lent one lakh more than the value of the shares on the day on which they reached their highest price in the market, but he thought that Cursetjee Furdoonjee was a very rich man.

Mr. Melvill.—You know, when Mr. Blair wrote to you for the share certificates, he asked you to deposit them for "safe custody." What did he mean? Was it to prevent your selling them?

Witness.—It was for safety to the Bank.

President.—Was it not merely a subterfuge of the Secretary, a pretence that the Bank was not lending upon shares?

Witness.—Yes, Sir, that is it.

Mr. W. Steel.

WILLIAM STEEL, recalled.

I produce a promissory note by Custoorchund Roychund to the Asiatic Banking Corporation, dated the 28th May 1866, for Rs. 4,97,150, payable on demand, with interest at twelve per cent. from 31st August 1865, collaterally secured by the deposit of shares (Note marked T 5, memorandum attached marked T 6). I believe that the signature to the note is in Custoorchund's handwriting: it is written in a Native character. I did not see him sign it.

I produce a Ledger of the Asiatic Bank containing an account, headed "Bad and Doubtful Debts Account:" the balance of Rs. 2,85,743-5-1 due on the promissory note after realization of the securities has been transferred to this account (marked T 7).

Mr. R. H. Baker.

Mr. R. H. BAKER, recalled.

I was Deputy Manager of the Asiatic Bank. I know an account in the books of that Bank in the name of Nusserwanjee Ruttonjee and Co., distinct from their general current account. I remember receiving a memorandum from Mr. Morrison, and being told by him that he had arranged to give them five lakhs upon fifty Back Bay shares through Premchund Roychund; and that bill which Mr. Steel handed in just now has the memorandum attached to it, signed with Mr. Morrison's initials (memorandum marked T 6). I was told that the shares would be sent in by Premchund, and that we (the Asiatic Bank) were to pay for them, and that any balance exceeding five lakhs would be refunded by Nusserwanjee Ruttonjee and Co., or that if they did not send in the fifty shares they would make up the difference in cash. The transaction was so far completed, that we received thirty-seven shares, with a note requesting that five lakhs should be paid to the broker; I told Mr. Morrison that five lakhs had been paid, but only thirty-seven shares received, and we sent the broker a form of loan bond, requesting him to get it signed by Nusserwanjee Ruttonjee and Co., and return it to us, with thirteen shares to make up the fifty, but that was not done; and I remember seeing Hormusjee Nowrojee Saklatwalla and asking him about it. He did not acknowledge that the account belonged to his firm. He told me to see Premchund; he did not admit the account. That excited my suspicions about the account. The only inquiry I made about it was of Mr Morrison; he told me that he would see Premchund and get it arranged. He did not disclose anything about the account to me. I believed that Premchund had an interest in the account, and I thought that there must be some dispute between Nusserwanjee Ruttonjee and Co. and him. The account was eventually put into Custoorchund Roychund's name, and a number of other securities deposited in lieu of the thirteen Back Bay shares. I am aware that Dossabhoy Dhunjeebhoy had two accounts with the Asiatic Bank. I was not aware that these were not his own accounts. One of the accounts I believed was not altogether his own, at any rate the account upon the security of the Bank of Bombay shares. My knowledge was derived from a letter from him enclosing a dividend warrant upon the shares standing in his name. He obtained the warrant from the Bank of Bombay, and sent it to the Asiatic Bank with a letter, saying that it was to be placed to the account standing in his name belonging to Mr. Tracey and Mr. Morrison.

President.—Then there was the other account of fifty Back Bay shares: did you think that was his own account?

Witness.—The one in Dossabhoy's name?

President.—Yes; and which was afterwards transferred on the 30th June 1865 to Premchund Roychund.

* *Vide supra*, page 86.

Witness.—I do not think that it was his own.

President.—You never did think so, did you?

Witness.—No.

President.—Then you must have been aware that there were accounts opened in the Asiatic Bank in the names of certain persons, and that the names of all the parties interested were not disclosed?

Answer.—Yes.

President.—Had you any reason to believe that Mr. Blair was interested in any of those accounts?

Witness.—No, no reason at all; that account of Nusserwanjee Ruttonjee and Co.'s was not opened till four months after Mr. Blair went home. I had no reason to suppose that Mr. Morrison was interested in that account. I had no reason to suppose that Mr. Blair speculated in the name of Mr. Morrison.

President.—How was it that debits were entered in that account of Nusserwanjee Ruttonjee and Co. without the knowledge of the partners in that firm?

Witness.—When the loan was granted the shares were more than ample security, and at the time I received the memorandum I did not see that there could be anything wrong, because in a very few days it must be brought to their notice, and if they did repudiate it, we had sufficient security for the amount we paid away. It was merely a temporary account; a bond was to be signed. It was opened on the authority of the Agent, who said that Premchund would send in the shares and would pay for them. I made the debit entries upon the verbal authority given me by Mr. Morrison, and there was that memorandum of his. The memorandum was not given long afterwards, when the account was transferred. It was given at the time when the account was opened.

President.—I think I saw a letter of yours in the "*Times of India*" in which you seemed to be quite indignant at the idea of any accounts being kept in this way in the Asiatic Bank?

Witness.—I did not go into the general question, but as far as Premchund's statement went it was incorrect. I did not go into general particulars, for it was not necessary; if I had done so I should have required to write a history of the Asiatic Bank.

President.—Was it a common practice in the Bank to open an account in the name of one person when it really belonged to another?

Witness.—It would be impossible for me to tell what transactions there were. I certainly do not deny that I knew there were such cases, and that Hormusjee Nowrojee objected in his particular case.

President.—But if you did not really know the parties interested in that account, was it not a bold step for you to take? The account was in the name of Nusserwanjee Ruttonjee and Co., and it is proved that Premchund had an interest in Candass Narrondass's share in that firm; you knew what strange transactions were going on; was it not therefore rather bold for you to make that statement? 31 Aug. 1868. *Mr. R. H. Baker.*

Witness.—The statement I made was a fact, that neither Blair nor Morrison were in the habit of operating by debit slips.

President.—But Mr. Morrison gave you verbal instructions, telling you to put the debits to the name of a firm while the firm knew nothing of it?

Witness.—Premchund said that they were in the habit of operating by means of debit slips.

I am referred to an account of Mr. Robertson's in the Ledger of the Asiatic Bank. This account (marked T 4) is headed "Special, against his liability "on A. B. C. shares:" it relates to the time of the liquidation. It is an account relating to the compromise of his calls on Asiatic Bank shares. There is an amount received apparently by the Liquidators upon five Back Bay shares belonging, I suppose, to Robertson. They received Rs. 8,750, which has evidently been held over by the Bank on account of liabilities which Robertson had, for Asiatic Banking Corporation's shares. It does not refer to any speculations in Asiatic Bank shares; the calls had not actually been made, and he wanted to compromise, I suppose, before he went home. It has no reference to either Mr. Blair or Mr. Morrison.

Major Innes.—The language of your letter was very strong. You knew the whole of the transaction, but indignantly denied that any such transaction had taken place, or that there was an account of that nature.

President.—I have no doubt that your letter was verbally correct, but upon reading it the impression left upon our minds was, that you indignantly denied that any such transactions had taken place in the Asiatic Bank, and yet we have found three different accounts which did not belong to persons in whose names they stood?

Witness.—I did not deny that, but I denied that any account was operated upon by means of debit slips.

President.—Your letter was no doubt verbally correct, but it left the impression on our minds, that the whole system of fraudulent entries which it seems was pursued in the Asiatic Bank was entirely unfounded.

Witness.—The securities given were such as any Bank in Bombay would have advanced upon. They would have advanced one hundred per cent. premium upon Bank of Bombay shares.

President.—We have the distinct testimony of Premchund, as to one of the accounts, that he was asked to give the security, to give colour to the transaction.

Witness.—It may be so.

September 2nd, 1868.

2 Sept. 1868. *Mr. G. Norman.*

GERARD NORMAN, SWORN.

I am in the Bombay Civil Service. I am Acting Collector of Bombay. I have been acting in that appointment with slight intervals since August 1865. I became a Government Director of the Bank of Bombay at the end of February 1866. I ceased to act when the Bank went into liquidation. I received no instructions upon my appointment, either verbal or written. During the time that I was a Government Director I never received any communication from Government in connexion with Bank matters, and I never wrote any letter to Government. Either Mr. Chapman or Mr. Lushington wrote all the letters which were written. I was never employed in a Bank before. I am aware that certain charges have been made against the Government Directors. I was not engaged in any speculations, and I was not in Bombay at the time of the speculations. Since my appointment I have held shares in the Railway Companies, and two shares in the Bank of Bombay, and that is all. I have not been under any obligation during that period to any Native of Bombay, pecuniary or otherwise.

I heard the evidence of Mr. Chapman as to the twenty-five lakhs loan to Premchund Roychund. I have no addition to make to that evidence. It is my recollection of what took place, with one slight exception, which is not, however, of importance. I did not stay to breakfast with Mr. Lidderdale: Mr. Chapman was mistaken when he said that, but we discussed the matter of the loan after the meeting broke up, and I then went away; with that exception I think Mr. Chapman's evidence is quite correct.

I concur with Mr. Chapman in thinking that the Commercial Directors were not always fully explicit with the Government Directors, as far as the business of the Bank went. I think it was only in one case, that of Premchund's overdraft. I mean the one Mr. Tracey guaranteed, that is the only occasion that I can call to mind in which we (the Government Directors) were not kept fully informed by our Com-

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mercial colleagues, and that only referred to one of the Directors. I think we always worked well together.

President.—You are referred to by almost everyone, as the person who can give us valuable information as to the value of the land given to the Bank as security; what are your means of knowledge on the subject?

Witness.—I am largely employed by the Government to purchase land in Bombay. During the last three years I must have spent fifty lakhs for Government, upon the purchase of land in Bombay. Land is required for railways and other public purposes, and we purchased a large quantity of land for the Back Bay Reclamation Company, but my chief means of information would be from the deeds which are brought to my office, under Regulation 19 of 1827. When a piece of land is sold in Bombay it is necessary that the vendor and purchaser should give notice at the Collector's office, in order that the Collector may know to whom to apply for the land rent due to Government; and it often happens that, instead of merely giving a written notice at the Collector's office, copies of deeds are sent, and notice of the transfer of land is given in that way. I think I know the value of most of the land in Bombay. My principal means of judging is knowing the rent derived from the land; my knowledge is more derived from that, and plans deposited in my office, than anything else. There were a great many parcels of land which Premchund offered in security for that loan; for instance there was land on the flats, which was broken up into many different parcels. There was Dhackjee Chawl, Locksley Hall, Byculla, the Byculla Stables, the large house on Malabar Hill in which Mr. McCulloch lives now, a small house on Malabar Hill, and there was the Coorla property, which I do not know much about, and that is all, I think. I have a copy of the list of the properties furnished by the Bank.

(The President reading from his list.) There was the Matherpacady property, the Coorla, Locksley Hall, Dhackjee Chawl, the bungalows at Malabar Hill, and the property on the flats. The Dhackjee Chawl was not mentioned at the meeting?

Witness.—I have a sort of idea that Dhackjee Chawl was mentioned at the meeting, but I cannot recollect.

President.—At any rate possession of it was afterwards given to the Bank. There was one-fifth share of the Coorla property, the houses, the Veterinary Livery Stables, seven large Chawls in the Native Town of Bombay, and the Foras Land, Byculla, 1,26,000 square yards; now which of these properties do you know personally?

Witness.—I do not know the Coorla property, but that consists of a share in a mill and the land adjoining, and, I believe, shares in a Spinning Company. I did know all the other properties, and I believe all the Directors knew them. Premchund valued Dhackjee Chawl at ten lakhs: that is what he gave for it I am told. He purchased the property first for five lakhs, sold it for ten lakhs, and repurchased it for ten lakhs. I think in his evidence the day before yesterday he stated that. He said that the two bungalows at Malabar Hill were worth three lakhs, and that was what he thought he could get for them. I have my valuation here. I cannot say that I made out the valuation at the time, but it is a valuation which I should wish to put in.

I think the large house at Malabar Hill was worth Rupees ninety thousand five hundred at that time. I have arrived at that by taking Rupees six hundred per month as the rent. I have made a deduction of one-eighth from the gross rental, and taken the value at fifteen years' purchase; that house, I believe, was at that time occupied by Premchund, but before that time, if I am not very much mistaken, the last tenant was paying Rupees one thousand per month. The present rent is Rupees five hundred per month. Five hundred a month I know has been paid for it ever since 1866; in fact, I believe Rupees twelve hundred was asked for it. I know it was sold for Rs. 60,000. Rs. 94,500 is my valuation. The small house purchased by Graham & Co. I have put down at Rupees three hundred and fifty per month, and I believe at that time it was nearly Rupees four hundred a month, and I make the value of that Rupees fifty-five thousand one hundred and twenty-five. These are calculations which I have worked out since. I cannot say that I worked them out in this way at the time that the loan was made to Premchund. I did not make any calculations at all upon paper then. What I have got down here as a valuation is a very fair one. I think Premchund's valuation was, as far as I remember, twenty-three lakhs. That is what he said it was worth, but I did not think it was worth more than about fourteen lakhs, and I did not at the time make any calculations upon paper.

I did not make any estimate of the two small houses at Mazagon. They realised Rs. 17,530. I know all the properties except the Coorla property. I estimated that at one-half of what he said it was worth: he valued it at four lakhs, and I put it down at two lakhs, I believe; but I have kept no notes: that sold for Rupees seventy-five thousand, but I believe there are some peculiar circumstances connected with that property; it is not only a large property, but a share in a mill as well; I do not, however, know much about that.

I put down the bungalow with the large compound at Byculla, known as Locksley Hall, as worth Rupees sixty-three thousand, reckoning the rent at Rupees four hundred a month. They were asking Rupees one thousand then. It realised Rs. 46,000; it was sold very cheap. When I came to Bombay in 1865 I wanted a house near the Club at Byculla, and I tried to get a small house there; there was a little house which they asked Rupees two hundred and fifty rent for, but I did not take it, and it was taken the next day by some other person: therefore I do not think that a high valuation at all. The houses, chawl, and compound, with the Veterinary and Livery Stables, were bringing in Rs. 1,000 a month at the time we took it, and I have put that down at Rupees one lakh fifty-seven thousand five hundred. It fetched Rs. 45,000.

I estimated the large chawl in the Native Town as worth Rupees one hundred per yard, and it contains five thousand seven hundred and fifty square yards. I may mention that last year the Municipal Commissioner sold a piece of land within two hundred yards of this, to the Honourable Munguldass Nathoobhoy, for Rupees seventy-five per square yard, and the sale was not at all approved of by many of the Native Justices in Bombay. There was a great deal of writing about it in the newspapers, and at a meeting of the Justices it was said that it was worth Rupees one hundred per yard, and that there were people in Bombay willing to give that for it. Dhackjee Chawl was purchased for Rupees thirty per yard, and upon it a cloth and goods market was erected, which was the very purpose for which this land was sold; at the time we took it over, Rupees one hundred per square yard was a very moderate estimate for that land, and I think any professional valuer in Bombay will say the same.

The Foras land contains 1,26,000 square yards, and I thought one Rupee per square yard was a fair valuation for it; that land was sold for about Rs. 43,470; but 40,000 square yards have since been resold for Rs 1-2-0 per yard. In 1864-65 the land on the flats was selling at from one Rupee to Rupees three per yard. Fourteen lakhs, I think, was the rough calculation. I estimate that the whole was worth Rs. 12,71,125, taking the Coorla property at two lakhs, but about which I do not pretend to know much.

The great depreciation in the value of land is accounted for by over-speculation, I think; there were two classes of purchasers of land in Bombay in 1865: there was one class who purchased land simply as a speculation, in the same way as shares, in the hope

that the value would go up; and there was another class who purchased land without any reference to its intrinsic value, but gave a fancy price for it, if they saw a piece that they thought a good site for a bungalow; in fact, they bought land just as they would buy expensive horses and carriages. There is a piece of land next to the Victoria Museum which belonged to Cursetjee Furdoonjee I believe: I do not know exactly what he gave for it, but I believe Rs. 12 or Rs. 14 per square yard, and he built a large house upon it.

President.—But did not the value rise just as suddenly as it went down? My recollection is that you could get a large house on Malabar Hill in the year 1853 for Rs. 175 per month?

Answer.—They will never be at that again.

President.—But it is evident that land must have run up very suddenly?

Answer.—The rent depends so much upon the value of labour; you cannot build a house in Bombay now.

President.—But was it wise or prudent to expect that the prices would continue that were in existence at that time?

Answer.—Well, it has turned out that we were mistaken; that is all I can say. In 1866 the eyes of most people had been opened to the fact that there had been a great deal of over-speculation, and that the prices of everything had been run up in consequence, and it could have been foreseen that these prices were not likely to be maintained, but I do not know so much with respect to land. There was very little land in the market in 1866; everybody was holding it. I have looked through my records to try to find out, and I find that there were very few sales in 1866. The price certainly fell when all the estates and Banks went into liquidation, and now it is, I think, recovering again.

President.—The summary of your evidence is that you think Rs. 12,71,000 a very fair value at that time; what would be the value of the property now?

Answer.—I am not prepared to say at once.

President.—It was sold for Rs. 5,22,000.

Answer.—That is very far below its value, and I am sure every professional valuer in Bombay would say the same, and that it was sold at a price much below its value is shown by the property which has been since sold having realized higher prices.

President.—Yes, in one instance, the Dhackjee Chawl.

Answer.—Yes.

President.—You have heard the evidence of Mr. Brown as to the securities deposited by the Asiatic Bank and with the Bank of Bombay for that large overdraft. Mr. Brown promised us a full explanation of the circumstances attending the withdrawal of certain securities, and an explanation why the securities ultimately realised were not those which were apparently deposited; but we have not yet been furnished with that explanation. We have a list of the securities realised presented to us, and also an account, and we wish to ask you a few questions upon that subject. Now we will begin with the Board minutes. The first Board minute is dated the 14th of May 1866: you do not appear to have been present that day, but you were at some of the other meetings and must have heard of the transaction. [The President here read the minute as follows:—"Read letter from Mr. "Morrison, Agent of the Asiatic Bank, requesting a "loan of fifteen lakhs for that Corporation. Read "also a list of securities he is prepared to deposit. "Resolved that the credit be granted upon his giving "up all the securities stated in the list, and a written "guarantee to deposit, immediately on receipt, the "bills and Government paper now on the way from "Calcutta and China."]

Witness.—I do not remember what the securities were, or where the list itself is, unless it is at the Bank.

President.—I have a copy, but I do not know whether it is a correct list or not.

Answer.—I am afraid that I cannot swear to it. I cannot call to mind having seen it. No written guarantee was given by the Asiatic Bank on that occasion that I can recollect. I do not know, and cannot say, whether the written guarantee was given or not. Cassinath will be able to speak to that, I think, and the officials of the Bank perhaps; I cannot. I do not remember any order being given for a written agreement to be drawn up at once. I know securities were subsequently deposited, but I do not know what they were. I do not recollect anything as to the disappearance of the original securities at first given, and I cannot give you any information upon that point. I do not know, and cannot remember, what bills there were, or what Government paper.

President.—The 25th of May 1866 is the date of the next Board minute.

Answer.—I am afraid that I cannot tell you anything about that, except what you will ascertain from the officials of the Bank.

[The President here read from the minute as follows: "Read letter from Agent of the Asiatic Bank "requesting the credit of fifteen lakhs already granted "extended to twenty lakhs, and offering as additional "security a lien on ten lakhs of Rupees, advised by "telegram from London, as having been sent by the "mail leaving on 18th May."]

President.—Do you remember seeing that telegram?

Answer.—No. I do not know of my own knowledge whether Mr. Morrison was asked to produce it or not.

President.—Do you know of your own knowledge whether the Asiatic Bank received that sum of ten lakhs?

Answer.—It did not, I think.

President.—I believe it did; at least Mr. Lidderdale says so in his evidence. He says that they received the remittance of that item of ten lakhs. The money was assigned to the Bank of Bombay. If you did not receive it, can you state why you did not?

Answer.—No, I cannot state why we did not receive it.

President.—There was an actual advance made on the security of these ten lakhs which were coming to the Asiatic Bank; why were they not paid over to the Bank of Bombay?

Answer.—I cannot say.

President.—Then the ten lakhs were most probably retained by the Asiatic Bank?

Answer.—I do not know whether the Asiatic Bank received the money or not.

President.—But who can give us any explanation of it? What a different position you would have been in had you secured the ten lakhs: there ought to be an explanation how these ten lakhs escaped the Bank of Bombay.

Answer.—I am afraid I cannot afford you any explanation. I cannot say I remember any inquiries being made subsequently as to these ten lakhs coming from London, though I think I remember a discussion about it. I cannot call to mind any particular discussion about it. I do not think Mr. Lidderdale knows; I have talked with him about it, and I do not know that he will be able to afford you any explanation about it. Mr. Robertson will be able to tell you.

[The President here read from the Minute Book as follows:—"Resolved that the credit (to the Asiatic "Bank) be increased to twenty lakhs upon the terms "mentioned in the letter above quoted, provided that "the Bank's Solicitors consider the lien good."]

President.—Now there is no doubt whatever but that the terms of the agreement which assigned that property to you were never carried out?

Witness.—I am sorry that I cannot afford you any information.

President.—I must in justice to you state that you were not present at the meeting; this was a special meeting at which Mr. Lushington, Mr. Brown, and Mr. Tracey were present.

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Witness.—I do not remember it.

President.—We will go to the next transaction of the 12th of June 1866. The minute in this book says:—"Read letter from the Agent of the Asiatic "Bank stating that his Calcutta Agent was un- "expectedly drawn upon, at short sight from China, "and requesting that a credit of four lakhs might be "opened for him, with Bank of Bengal, by telegram "as formerly. Resolved that the credit be opened "on condition that, besides the securities at present "deposited with the Bank, the Agent here will give "a lien on all remittances which may be received "from England, China, and other Branches of the "Bank."

President.—Do you recollect that transaction?

Witness.—Yes, I think I recollect that there was a long letter from Mr. Morrison, if I remember rightly. I do not remember what were the remittances to be received from India and China without referring to the letter. I think there was a list at the end of the letter.

President.—You see the Board minute does not say besides the securities given by former letters, but "besides the securities already deposited:" and the question is how much security had already been withdrawn; do you happen to know anything about that?

Witness.—I am afraid I do not know anything about the withdrawal of these securities. I think there was a letter.

President.—Yes, evidently there was another letter; the minute says: "Read letter from the Agent of the "Asiatic Bank;" we cannot find that letter; you are not able to give us any information regarding it, or what were the securities then deposited with the Bank?

Witness.—I am afraid I cannot tell you anything more than can be found by referring to the books of the Bank of Bombay.

President.—At the next meeting of the 3rd of July, the minute states: "Reported that the Weekly Com- "mittee had authorised the Secretary to telegraph to "the Bank of Bengal to advance the Asiatic Bank "three lakhs of Rupees if necessary. (This amount "will be paid back on the arrival of the China Mail "at Calcutta; as the Agent gets five and a half lakhs "of Rupees by it.)" Now what authority was there for that last statement?

Witness.—A telegram, I think.

President.—Who informed the Board that on the arrival of the China Mail at Calcutta the Agent would get five and a half lakhs? What evidence had you of that?

Answer.—I cannot say. I did not see the telegram.

President.—It is only fair to tell you that you were not present at that meeting; but you must have inquired into these matters?

Answer.—I did not see the telegram, and cannot say on whose information it was; probably Mr. Morrison himself will be able to tell you, but I do not know of my own knowledge.

President.—I want you to explain the most singular thing I have met with in this matter; I do not find a single entry in the Register of Securities of any securities being deposited until the 14th of July, the day after the next meeting. Notwithstanding all these communications about the deposit of securities, I do not find a single entry in the book. Do you know why these securities were not entered?

Witness.—No, I cannot explain it in any way.

President.—Was it not a most irregular proceeding if there were any securities deposited, that they should not have been entered in the books?

Witness.—It is apparently so, without any explanation it seems so.

President.—Mr. Robertson was the Secretary of the Bank at that time?

Answer.—Yes, I believe so.

President.—We will now turn to the minutes of the meeting of the 13th July 1866; you were present at that meeting. The minute states: "Submitted "application from the Asiatic Bank for an extension "till 1st September next of the credit of twenty lakhs "lately granted, and that the dividend of nearly three "lakhs due to the Bank from Byramjee Hormusjee "Cama's estate be not drawn until a sum of five "lakhs expected from China by the Trustees be "received." Do you know what is meant by this, "that the dividend of nearly three lakhs due to the "Bank from Byramjee Hormusjee Cama's estate be "not drawn?"

Witness.—Mr Brown explained that better than I can. I cannot explain it better, but I understand the meaning to be this—that the Asiatic Bank were the Trustees of Byramjee Hormusjee Cama's estate, that there was a very large dividend due to us from it, and that they did not wish it to be drawn out until the large sum expected from China (five lakhs) was received, and that in addition to extending the loan, the Bank of Bombay also undertook not to draw out the dividend to which they were entitled.

President.—The minute proceeds to set out the securities offered. We will take them seriatim:— "Draft on Chartered Bank, due 16th July, one lakh." Was that security ever realised by the Bank of Bombay?

Witness.—It would appear from the books.

President.—This is not entered in the Securities Book.

Witness.—I cannot say anything about it, except from what I learn at the Bank, and from what the officials inform me. I have no personal knowledge of the matter. All the details would be managed by the officers of the Bank.

President.—The next item is "Macindoe, Rogers, "and Co.'s promissory note secured by property, eight "lakhs." The promissory note was realised by the Bank, was it not? and the Bank has received on that account Rs. 63,852?

Answer.—That is, no doubt, the amount.

President.—The next on the list is the "Bombay "Coast and River Steam Navigation Company's "promissory note, three lakhs." In that case the whole sum was realised with interest. The next is the "lien on funds now on the way from Calcutta, "two lakhs." Then, "lien on Java Guilders at "Calcutta, to be remitted to Bombay, three lakhs." Have you any explanation to give as to these two items, because, as far as I can see, the money never was realised by the Bank?

Witness.—I can give no explanation.

President.—Can you point out particular sums in the account which include these particular items?

Witness.—I could only do so by asking the officials of the Bank. I have no personal knowledge myself.

President.—"M. and M. Heerjee and Co.'s promissory note to Premchund Roychund, Rs. 2,56,000," realised Rs. 208. The other securities consisted of 102½ Apollo Press Company's shares, on which Rs. 2,200 were paid up, valued at Rs. 2,25,000; eighty-four Iron Ship Company's shares, on which Rs. 3,000 were paid up, and valued at Rs. 1,68,000. I do not know whether the eighty-four Iron Ship Company's shares, and whether the bill for Rs. 50,000 on Byramjee Cama and Co., due on the 28th July were ever realised by the Bank?

Witness.—I can give you no explanation of my own knowledge. I do not know whether the credit entry of the 29th July of Rs. 40,000, represents a sum paid in respect of that bill.

President.—But of the nine properties mentioned in this minute, only four, as far as I can see, were ever realised by the Bank of Bombay. When the Bank insisted upon the additional terms, it was resolved by the Board: "That the credit of twenty "lakhs be continued till 1st September, and that the "three lakhs due to the Bank from Byramjee "Hormusjee Cama's estate, be not drawn until the "arrival of the five lakhs expected by the Trustees "from China, on the following conditions: that the "agent here give the Bank a lien on all remittances "from Head Office and Branches, and that the

" Trustees of Byramjee Hormusjee Cama give the " Bank a lien on their expected remittance from " China ; and that any further securities which the " Trustees may hand the Asiatic Bank, are to be " handed to the Bank of Bombay." Was any instrument or agreement in writing ever given to the Bank of Bombay, securing the remittances from the Head Office or the Branches ?

Witness.—I do not remember ever seeing any such instrument or deed in writing.

President.—Did the Trustees of Byramjee Hormusjee Cama ever give the Bank of Bombay any instrument or deed in writing with respect to the five lakhs coming from China ?

Witness.—I never saw any such instrument or deed.

President.—But money continued to be advanced by the Bank of Bombay, for there appears to have been an account running on all the time ?

Answer.—Yes, I believe so.

President.—No security appears to have been taken at all till the very day of the meeting on the 13th July, when for the first time security was deposited. Have you any knowledge of what really took place ?

Witness.—I have no knowledge of what took place beyond what appears on the minutes. I thought of course that the Secretary would carry out the orders on the minutes, and that if he had any difficulty, he would report the matter to us.

President.—We will now turn to the minutes of the 23rd August 1866. As far as I can see, the Bank undertook to let the Asiatic Bank overdraw its account upon certain terms, which terms were never insisted upon.

Witness.—We took a great deal of trouble about that Asiatic Bank loan, I know.

President.—At a special meeting held at the Bank of Bombay, at which you were not present, Messrs. Lidderdale, Lushington, Brown, Stuart, and Macdonald were present. Mr. Macdonald must have become a Director about that time. Does he know anything about this transaction? I think he is in Bombay, is he not ?

Witness.—He was in the room just now, but I think he has gone. I do not think he will know anything about it, or that any of the Directors will know more than what appears on the minutes, or than can be ascertained from the books.

President.—I think it is one of the most remarkable transactions that has been disclosed in connexion with the Bank of Bombay.

Witness.—Mr. Brown is more likely to be able to give you information on the subject than any one else. I should think he will probably be back from Poona for the next mail.

President.—Quoting from the minutes of the 23d August : " The position of the advance to the " Asiatic Bank and the securities held against it were " taken into consideration, and the Agent's letter of " the 13th July requesting an extension of the credit " to the Bank till the 1st September. Amongst the " securities to be given to the Bank (of Bombay) " was a lien on five lakhs in Calcutta, and six lakhs " on their way to Calcutta from China. Of these " eleven lakhs only three lakhs have been paid to the " Bank of Bombay, and Mr. Morrison, the Agent, " was requested to attend the meeting (of the Bank " of Bombay Directors) to explain why the whole " amount liened to the Bank had not been paid in." Can you explain (Mr. Brown could not the other day) what was meant by the lien on five lakhs in Calcutta ? Did it mean the lien on the two lakhs referred to by Mr. Morrison as " in course of remittance from " Calcutta " and the lien on " Java Guilders at " 'Calcutta, and to be remitted here' three lakhs ? " And what is meant by " six lakhs on their way to Calcutta from China ? " Does that mean the five and a half lakhs which Byramjee Hormusjee Cama's Trustees expected from China ?

Witness.—It seems to be so ; I cannot say for certain.

President.—Now, of the eleven lakhs, only three have been paid to the Bank of Bombay. (Reading) " Mr. Morrison explained that he had been misled by " telegrams received from Calcutta in cipher, by the " words used denoting the amounts stated in his " letter of the 13th July, and that he had only lately " been informed of the mistake that had been made." How did Mr. Morrison verify that statement ?

Witness.—I was not present at that meeting. I do not recollect seeing Morrison at any of our meetings, and I am not able to explain. I have no personal knowledge of the matter ; I heard of it afterwards most likely.

President.—[Reads from minutes : " To save the " Bank of Bombay he offered to give additional security " to that already given ; cash on Mail day the 23d, " two lakhs ; in Calcutta, the proceeds of Government " paper and Bank of Bengal shares sent there for sale, " one and a half lakhs ; stock in trade and good will " of the business of Rogers and Co., Chemists, &c., " three and a half lakhs ; to be received from Shapoor- " jee Dhunjeebhoy and Jewanjee Manockjee, fully " secured by property, over two lakhs ; claims on " Cursetjee Furdoonjee, eight lakhs, estimated divi- " dend four annas in the rupee, two lakhs ; and " claim against Rustomjee and Sorabjee Jamsetjee " Jejeebhoy, two lakhs,—making a total of thirteen " lakhs."]

I find no entry of the payment of two lakhs upon the mail day, can you account for that ? Was the money ever received by the Bank ?

Witness.—I suppose not, if it is not to be found in the books.

President.—There is a sum of Rs. 1,85,347 credited to the Asiatic Bank's account upon the 23d August.

Witness.—I cannot say now, whether that represents the two lakhs. I do not know anything about it.

President.—But surely if Mr. Morrison failed in such a promise as that, to pay two lakhs, upon the next mail day, it must have come to your ears.

Witness.—No doubt. It would have been told us. It was the Secretary's duty to tell us. We are supposed to be informed of everything that happens by the Secretary ; we are not supposed to make ourselves acquainted with all matters of detail. I do not know anything about the Bank of Bengal shares sent to Calcutta for sale. I am afraid I cannot state whether the proceeds were received by the Bank. The stock-in-trade and good-will of Messrs. Rogers and Co. may have been over-estimated at three and a half lakhs ; it was the estimate of the Asiatic Bank, I think.

President.—The property was valued at three and a half lakhs, and the sum of Rs. 25,000 is all that has yet been realised from it. Mr. Morrison also deposited the bills of Shapoorjee Dhunjeebhoy and Jewajee Manockjee fully secured by property for over two lakhs, and that security was realised with interest. There was also the " claim upon Cursetjee Furdonjee " eight lakhs, estimated dividend four annas in the " rupee, two lakhs," part of that has been realised, a sum of Rs. 55,621. There was also the lien upon the twenty-five lakhs of uncalled-up capital. It may be a question how far the Asiatic Bank had power to charge that by way of security, but was there any assignment of it taken ?

Witness.—If it cannot be found, I suppose not.

President.—[Reading from minutes] " The Com- " mittee expressed themselves satisfied with Mr. Mor- " risen's explanation and the additional securities " offered by him, and instructed the Secretary to " have them legally assigned to the Bank without " delay, but in as private a manner as possible, so as " not to prejudice the standing of the Asiatic Bank ;" some of them were undoubtedly assigned.

Witness.—At that time our Solicitors were very much overworked. Mr. Kelly was very ill and had gone home, and only had one partner out here.

President.—On the 28th August 1866, two further securities were sent in, a promissory note, viz., of

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Dady Nusserwanjee Dady and Jejeebhoy Jehangeer, and a promissory note of Homejee Cursetjee Dady and Nusserwanjee Cursetjee Cama, and they have realised Rs. 5,555. Of all irregular things this is, however, the most extraordinary, that we find security realised, which has never been sent in as far as we can see; it is a claim on Muggonlal Huttonsing for two lakhs, upon which the sum of Rs. 5,000 has been realised by the Bank. Do you know how that security came into the custody of the Bank ?

Witness.—No, I do not. I think the Secretary had an order to get as much security as he possibly could, and this claim for two lakhs may have been handed over to him.

President.—Were you aware that the Bank of Bombay allowed its debtors to sell Bank of Bombay shares and to speculate in Bombay Reclamation Company's shares ?

Witness.—I think I remember that Roychund Deepchund was allowed to sell some shares.

President.—We went into that case with Mr. Brown, but I find another case, that of Dossabhoy Dhunjeebhoy, Premchund Roychund's Manager. He appears to have been allowed to do the same thing.

Witness.—I do not remember that it came under the notice of the Directors. I knew that was done in Roychund Deepchund's case, and I agreed to it. I think we allowed him to sell the shares, because we thought he would probably get more for them than we should.

President.—No, that was not the reason. He wrote a letter to the Board which I will read to you.

President.—[Reads letter and Resolution thereon as follows: "I also beg to request that you will allow "me to sell my forty Bank of Bombay shares, and "invest the proceeds in the purchase of Bombay "Reclamation Company's shares in lieu of the forty "shares I have deposited, which will rise I expect to "Rs. 4,000, and the debt will then be paid in full, or "reduced to a very considerable extent. Under the "circumstances I hope my prayer will be acceded to." "Resolved that the same answer be granted, and that "he be allowed to sell the Bank of Bombay shares, "and that he be allowed to purchase Back Bay "shares."] It is quite clear that the Bank was a party to the transaction. Do you remember Dossabhoy Dhunjeebhoy being allowed to do the same thing with respect to twenty-five Bank of Bombay shares, and to invest the proceeds in eleven Bombay Reclamation Company's shares ?

Witness.—I do not remember that, but I do recollect the first transaction perfectly well.

President.—It is not on the Board minutes; perhaps it was never brought to your attention ?

Witness.—I remember the case of Roychund Deepchund, although I have not seen the minute.

President.—There was no loss upon either of these transactions, but you can hardly defend them as legitimate banking transactions ?

Witness.—The shares in the Reclamation Company were as good as the shares in the Bank of Bombay.

Mr. Cassinath Babajee.

CASSINATH BABAJEE, recalled.

I had charge of the Securities Ledger in the Bank of Bombay. I remember securities being deposited at the time of the overdraft of the Asiatic Bank upon the 14th May 1866.

President.—Why were they not entered in the Securities Ledger ?

Witness.—Some securities in the shape of bills upon different banks were given to the Chief Officer of the Securities Department, Mr. Critchett, who did not give me any instructions to enter them in the Ledger in the way such securities for advances were usually entered. I do not know what orders he had from Mr. Robertson.

President.—But were not all securities deposited with the Bank entered in that book ?

Witness.—I had no instructions from my superior officer to enter these securities. I had no orders to enter them in the way securities taken for advances were usually entered. Mr. Critchett never told me that there was to be no entry of them. He never spoke to me about them. I cannot give any reason why these securities were not entered. I was only acting on the instructions given by my superior.

President.—But you have had some experience; when bills were deposited as security, in the ordinary course of business, were they entered in that book ?

Witness.—As securities they should have been entered. The securities that were deposited by the Asiatic Bank on the 14th May 1866 were good securities; they were bills upon different Banks. Some of the bills were in the charge of Mr. Critchett, and some Mr. Robertson used to give to me, and I used to hand them to Mr. Critchett, my superior, to keep in his possession. I am not able to tell you anything as to the amount of these securities; there is no proper record of them, and I cannot recollect them. Mr. Critchett used to make out the list himself. I do not remember that any other securities were deposited at any other time by the Asiatic Bank, prior to the 14th July 1866. I only recollect the Bank bills being received. Upon a bill deposited by the Asiatic Bank falling due, the Agent or some Assistant of the Asiatic Bank used to come to the Bank of Bombay and take it for realisation; the bills were given by Mr. Critchett, through verbal instructions either from Mr. Robertson or Mr. Maclean, the Chief Accountant. The instructions to me were "give up the bill."

President.—Might it not have been that these bills were handed to the officer of the Asiatic Bank for the purpose of realisation, and that the proceeds of the bills were paid to the Bank of Bombay ?

Witness.—That may have been the understanding between Mr. Robertson and the Agent of the Asiatic Bank. I do not know that there was such an understanding. I do not know anything beyond what I have explained to you, that they were given in charge of Critchett, and kept without any entries being made, and that they were given out upon the due date, upon instructions either from Mr. Robertson or Mr. Maclean. They were always given out at the due date. In the case of the City Bank I recollect that they were allowed some overdraft, and that they handed in certificates of shares in the Elphinstone Land and Press Company, and Back Bay Company. Those share certificates were kept in the same way, without being entered in this book. I am not able to give any further explanation about the bills deposited by the Asiatic Bank. I do not know anybody here who can. Mr. Critchett has gone home. I cannot state whether the proceeds of the bills really came to the Bank. It was not my duty to ascertain that.

Major Innes.—What is that book called (pointing to the "Securities Ledger")?

Witness.—This is the book in which all the securities taken by the Bank against advances are entered.

Major Innes.—Is it not the book in which the shares taken in security were entered ?

Answer.—This shows all the shares.

Major Innes.—Does it show any securities except shares ?

Answer.—There are some title deeds also entered in it. There is a book subsequent to this one in which title deeds were entered.

Major Innes.—Were bills ever entered in that book ?

Answer.—No.

Major Innes.—Were such bills as you refer to ever entered in that book ?

Answer.—No.

Major Innes.—Then why do you say these bills should have been entered ?

Answer.—As securities they should have been entered. There were bills taken in the case of the Bank of Hindostan. They were kept in the same

way. It is my opinion that all the securities taken by the Bank should have been entered in this Ledger. I do not know in what book bills taken as securities were entered. Mr. Critchett, who had charge of the department, will know; so will Mr. Robertson and Mr. Rodgie.

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Major Innes.—But you distinctly say that bills taken as security were never entered in this book, and that therefore it was not a departure from the rules of the Bank that these bills were not entered in it?

Answer.—Yes.

CHARLES ANTHONY BEYTS, sworn.

Mr C. A. Beyts.

I am a Share Broker in Bombay. I commenced business first as an Exchange Broker on the 1st July 1864. I began to buy and sell Back Bay shares on the 15th September 1864. I do not know when the second allotment of Back Bay shares was made. The price of Frere Land and Reclamation Company's shares on the 8th December 1864, the day of their allotment, was about Rs. 8,500 premium per share. The shares of the Bank of Surat were allotted about December 1864, at which time they stood at about sixty per cent. premium on their nominal value. Rs. 250 was the nominal amount of the shares; Rs. 100 per share were paid up. The percentage is always reckoned upon the nominal value of the shares.

I cannot speak to the price of Asiatic Bank old shares upon the day of the allotment of the second issue, in March 1865. The price of the shares of the second issue when they were allotted was about one hundred and twenty-five per cent. The allotment of the Bombay Shipping Company's shares was made before I began business; they were allotted in 1863. The allotment of the Mazagon Reclamation Company's shares took place in October 1864, at which time they were at a premium of from Rs. 9,500 to Rs. 10,000 per share.

The United Victoria and Colaba Company's shares were allotted on the 28th January 1865. The shares of that Company were sold in the market long before the allotments were out, at a premium of Rs. 9,500 per share. They were at about the same premium at the date of the allotment. The Port Canning Company's shares on the 1st February 1865 were at a premium of Rs. 9,000 per share, and a few days after that they went up to Rs. 12,000. The Asiatic Trading Company's shares were not in the market; they were not transferable.

I cannot state anything about the Iron Shipping Company, or as to the date when the Bombay Coast and River Steam Navigation Company was started. The shares of the Bombay Gas Company were not in the market here. I know nothing about the Bombay Bonded Warehouse Company, or about the Western India Hotel Company. I never sold any of the shares of the Veterinary and Livery Stable Company. I cannot speak to the price of the Goa Coffee Company's shares. My transactions were confined to Land Companies' shares and Bank shares.

I can state the price of shares of the Commercial Bank, by referring to the "*Times of India.*" I supplied the share lists published in that paper. All shares gradually rose in value after the panic of May 1865. I see, on looking at the share list for 1865 in the "*Times of India,*" that Commercial Bank shares reached the following prices:—On the 1st September 1865, twenty-eight per cent. premium; on the 1st October 1865, thirty-three per cent. premium; on the 1st November, thirty-two per cent. premium; and on the 1st December, twenty-five per cent. premium. I turn back to the list of the 1st August 1865. There is no quotation on that date, but on the 7th August Commercial Bank shares were at five per cent. discount.

It would have been a prudent thing for persons holding securities at the end of September or the beginning of October 1865 to realise; things did not improve after that; they gradually got worse; all shares rose in price about the end of September or beginning of October 1865, and fell off afterwards.

I can answer for the share list of the "*Times of India*" as being correct. I furnished the lists, and can say that they are generally accurate; persons in Bombay are in the habit of referring to those lists for their guidance. I report from day to day from actual transactions with which I am acquainted, and from inquiries.

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MERWANJEE RUTTONJEE, sworn.

Mr. Merwanjee Ruttonjee.

I am a Share Broker. I commenced business about 1862. I cannot state what the price of Back Bay shares was on the day of allotment, the 1st of July 1864. I have no entry of them in my books before the 20th July 1864. From memory, I should say that they were at about Rs. 10,000 premium. I do not remember whether they were quoted before the 1st July. I have no record of the price of the shares on the 2nd September 1864; the price of Frere Land Reclamation Company's shares on the 8th December 1864 was Rs. 8,000 premium per share. I have no record of any transaction in Surat Bank shares in December 1864. Upon the 17th March 1865 I sold Asiatic Bank shares at 136 per cent. premium. They must have been shares of the old issue. Upon the 21st March 1865 I sold 25 shares at 125½ per cent. premium. These must have been shares of the old issue also. I find that upon the 17th February 1865 the price of Surat Bank shares was 31¼ per cent. premium. I cannot state the price of the Bombay Shipping Company's shares at the time of allotment, as I have not brought my books for 1863. I have no entry of the price of Mazagon Land Reclamation Company's shares before the 16th November 1864, when the price was Rs. 6,750 premium per share. With regard to United Victoria and Colaba Reclamation Company's shares, I can only state that on the 2nd March 1865 they were at Rs. 3,900 premium each. I do not know what the price was at the time of allotment, the 28th January 1865. Upon the 21st February they were at Rs. 44,000 premium. The Port Canning Company's shares upon the 1st February 1865, the day of the allotment, were at Rs. 9,500 premium per share. The Iron Ship Company was established some time in 1864, but I cannot give the date with certainty. It was considered, when it was established, a very substantial Company. It has since gone into liquidation, but that was on account of the competition against which it had to contend. At the time of the allotment, the shares were at Rs. 2,000 or Rs. 3,000 premium each; I can speak from memory. I do not know when the Bombay Coast and River Steam Navigation Company was established. The Bombay Gas Company's shares were not allotted here; I have sold shares in it at Rs. 40 per share. It is a London concern. I do not think the allotment list of that Company could be obtained here. The Bombay Bonded Warehouse Company was started by Messrs. Brice and Company. It was considered a substantial undertaking at the time; the shares were at a premium of Rs. 2,000 each, but the Company is not in existence now. The allotments were made in 1864. The list of allotments might be obtained from Brice and Company. The Western India Hotel Company

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Mr. Merwanjee Ruttonjee.

was established about the end of 1864. The allotment papers might, I should think, be obtained from Messrs. Nicol and Company. The Veterinary and Livery Stable Company was started under very good direction in November 1864; the allotment lists of the Company might be obtained, I think, from Messrs. Ritchie, Steuart, and Company. On the 11th of May 1864 I sold four shares in the Goa Coffee Company for Rs. 375. I do not know how much was paid up on the shares.

Mr. Melvill.—What were Port Canning Company's shares at in the beginning of October 1865?

Answer.—I cannot say.

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Mr. Heerjeebhoy Merwanjee Wadia.

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HEERJEEBHOY MERWANJEE WADIA, sworn.

I was a member of the firm of Dossabhoy Merwanjee and Co. My firm obtaining a discount from the Bank of Bombay on the 24th of February 1865 of one lakh, and another on the 23rd of May 1865 for three lakhs, of which one lakh was afterwards repaid. We obtained another loan, on the 9th of June 1865, of one lakh, which was renewed on the 17th March 1866. We obtained all the loans in 1865. No security was given for the first loan. My brother Dossabhoy, the senior member of the firm, negotiated that loan on our behalf. I believe he generally used to write a note to the Secretary when we required a loan, and receive a reply as to whether the application was granted or not. The firm had been very good customers of the Bank of Bombay, and I do not think that there was any recommendation given on our behalf for the loan of one lakh. We obtained that loan for the general business of the firm, not in order to buy shares or to pay any particular debt. The other loan, of the 23rd of May 1865, for three lakhs, was obtained to enable us to pay Rs. 1,45,000, which was due to the Bank of Bombay, and the rest was used for the general purposes of the firm. Security of landed property was given on that occasion. The firm wrote to the Bank that they were in difficulties, and were indebted to them in the sum of Rs. 1,45,000, and had other pressing liabilities as well, and requested a loan of four lakhs. This application, I believe, was laid before the Directors, and we received a reply that the Bank would only give us three lakhs. Out of these three lakhs we paid off the preceding loan of one lakh. We had no loan then preceding that of the 23rd of May 1865; we had paid off the previous one.

The landed property which was given as security for the loan of three lakhs on the 23d of May was sold by the Bank. Security of landed property at Parell was given for the other loan of the 9th of June 1865 for one lakh. The loss of Rs. 2,10,685 was on account of the great depreciation of landed property in Bombay. The property was sold about three or four months after that; and landed property has very greatly depreciated. I think in some instances it has depreciated to a point below what it was at a year or two before 1864. Houses on Malabar Hill are letting now at a higher rent than in 1854–55, only on account of the locality being a healthy one; but there are bungalows in many parts of the island which do not fetch half as much, and which are not of half the value they were before. These loans were obtained on the understanding that they were to be renewed for twelve months; that was mentioned in the application to the Bank. The minute makes no mention of twelve months; it says—"The Bank's solicitor being satisfied with the security offered, and the former loan being paid up, the loan may be granted for three months, with renewal at the end of that time if urgently required." But it was mentioned in our application, and that was the understanding upon which the loan was obtained, because we could not have sold the property in so short a time to recoup the Bank. It may not have been the usual practice of the Bank to grant loans for twelve months, but it was done in this case for the purpose, I think, of supporting an old-established firm. We had no connection in business with Mr. Robertson or with any of the Directors.

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Mr. J. G. Tyndall.

2nd September 1868.

JOSEPH G. TYNDALL, sworn.

I am a partner in the firm of Nicol and Co. I was one of the Auditors of the Bank of Bombay for the two half-years of 1865. I examined the accounts very carefully. I did not ascertain the value of the shares deposited as security with the Bank; that was not considered part of the duty of the Auditor. Attention was drawn to the fact of the Auditors not making a valuation of the shares, and I believe the matter was discussed afterwards by the Board meeting of the Directors, and the result was that an independent Committee was appointed, which valued the shares. I don't know in which half of the year 1865 it occurred; but attention was drawn to the matter at the time I was an Auditor. We said we were willing to value the securities, but it did not seem to be considered one of the Auditors' duties. There was no objection made. I think it was mentioned by us to the officials of the Bank, while we were going through the audit. There were several who attended us while we were going through our audit—Mr. Robertson, Mr. Rodgie, and others. The Chairman was in and out continually during the time the audit was going on—Mr. Hannay, and afterwards Mr. Lidderdale. They did not object. There was no objection made; it was given rather as a suggestion by us; and I believe that suggestion led to the appointment of the independent Committee afterwards. We did not ascertain the value of the promissory notes with respect to the responsibility of the persons giving them. We only said that such and such promissory notes were laid before us; and you will find it so stated in our report. It is not in the published statement, but you will find the past-due bills separated from bills discounted in the report sent to the Directors by us. We did not send one report to the Directors and another for circulation among the shareholders. It is the same statement, except that these items are separately stated. We did not ascertain the value of the shares deposited, or what was the value of the promissory notes; the Profit and Loss account was independent of that. There was only one item of loss written off during the time I was Auditor. On one occasion about four lakhs were carried to the Profit and Loss account from past-due bills. On the first occasion no list of past-due bills was presented to us, and I do not think anything was past-due, so far as my memory serves me. We merely certified to having had the different documents lodged as security with the Bank laid before us, and having seen that they were in order. That was in fact the only certificate we granted. With reference to the wording of our certificate of the 1st February 1866 with regard to the Government securities and share certificates held against

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Mr. J. G. Tyndall.

advances, I may say that it was more in consequence of a judgment given some time previously with respect to some Back Bay shares which had not been transferred. There had been a good deal of talk, and much writing in the newspapers, in consequence of a judgment delivered by Mr. Anstey, and the result was that, when we came, at the end of the half-year, to examine the securities held by the Bank, we were more than usually particular to see that all the securities were properly transferred to an officer of the Bank.

President.—You also say, "We have also minutely "examined the Balance Sheet and Profit and Loss "account, and are satisfied that the statement of "affairs laid before us represents the true position of "the Bank." You assumed, in fact, that all the sums stated as lent upon certain securities were recoverable?

Answer.—Yes, certainly. We made no valuation of the securities held by the Bank. All the outstanding bills we saw the dates of, and in the case of those in which money had been received on account, the amounts so received had been marked on the back of the bills. We were aware that there were bills which had been repeatedly renewed.

President.—Are you aware of a charge that has been made against the Directors of the Bank, that they paid the dividend for the half-year ending 31st December 1865 out of capital?

Witness.—I have the Balance Sheet as published. I have not read that charge, but have merely heard it spoken of. The balance of profit for the first half of 1865 was Rs. 19,82,085. There was no dividend declared for that half-year. Of the Reserved Fund there was a balance of Rs. 7,53,084 from the previous year, and profit on sale of old premises of Rs. 3,03,899; total Rs. 10,56,983, making, together with the balance of Profit and Loss account, a total Reserve Fund of Rs. 30,39,068, which was carried forward to the second half-year of 1865. The total profit for the year 1865 was Rs. 30,67,967, and the balance of the Reserve Fund and profit at the end of the year was Rs. 41,24,950. The dividend declared at the end of 1865 was, I think, Rs. 8,26,000. Then there was written off at the same time to Profit and Loss account the sum of Rs. 4,83,000. This, added to the dividend, makes Rs. 13,19,000. Take this from the Rs. 41,24,950, and the balance will be Rs. 28,05,950 as the surplus of profit. According to the published statement it was about 32 lakhs. The difference may have been written off in January of the following year.

President.—It was written off in February. It was written off at the very meeting in which the manner in which you had discharged your duties was approved of. That is the way the account then stood. There was a balance of 28 lakhs of Reserve Fund, and besides that there was the capital. However clear it may be that that dividend was not paid out of capital, there is another very grave question still remaining, whether it was a wise or prudent thing to pay a dividend, considering the manner in which the capital was invested.

Witness.—I should say that it was quite prudent under the circumstances, taking the Directors' valuation of the previous August, and looking to the state of affairs in Bombay in May and June 1865. At that time the price of cotton in Liverpool was down to 11*d.* per lb., while the December following it was from 17½*d.* to 18*d.* per lb. That would have made the greatest possible difference in the valuation of the large estates that were then in liquidation. All that was taken into consideration at the time. As far as we could see in those days, I should say it was prudent, but we must not look at it as we should now, but with the light we had in those days. With regard to the mode in which our audit was conducted, our certificates, I think, speak for themselves. We acted very much upon precedent, and all we certified to we were very careful to see was perfectly correct. When I was first elected an Auditor of the Bank of Bombay I was associated with Mr. Ranken, who had occupied the post of Auditor on several previous occasions, and he showed me what had been the course hitherto pursued.

President.—In your report of the 14th July 1865, you say,—"The Local Bills were examined and found "correctly recorded. Those which were overdue "were not all submitted to us, as a few were in the "hands of the Solicitor to the Bank for recovery, "but they have been included in the statement under "the head of Past-due Bills, which sufficiently serves "to bring them into notice." Now I think that was an unfortunate expression on your part.

Witness.—That was a matter for the Officials of the Bank. When we sent the report, we expected that our statement would be laid before the shareholders.

President.—Then you go on to say, "many share "certificates of considerable value, instead of having "formed the basis of fresh loans were merely acquired "by the Bank as further collateral security for pre-"vious advances." Now how came you to make that statement? Did you go into the matter? We find that loans were advanced upon the mere promissory notes of parties, and that shares were taken afterwards as collateral security.

Witness.—Precisely so.

President.—Do you think that your certificate exactly conveyed that idea?

Witness.—The report was in the hands of the shareholders, and they were at liberty to make any inquiry about it at the Annual Meeting. I may mention that I was very much surprised that the amount of past-due bills was never asked for by any shareholder. You will find by the reports of the meeting that no shareholder asked any such question.

President.—No, because there was nothing to excite their alarm.

Answer.—All these statements were in the hands of the shareholders.

Major Innes.—Did you not say you thought the declaration of the dividend a prudent measure?

Answer.—Yes, I said I considered it quite justifiable.

Question.—From what source ought dividends to be paid?

Answer.—The dividends are paid out of the profits of the year.

Question.—Is it usual to trench on the Reserve Fund?

Answer.—No, but there are occasions on which it may be done.

Question.—If there were no profits would you pay a dividend out of the Reserve Fund?

Answer.—As in this case that is entirely a matter of opinion. But in this case it was out of the profits that the dividends were declared.

Major Innes.—No. The profits amounted to a fraction over 30 lakhs, and the losses of the year were set down at 30 lakhs, so the profits were absorbed in the losses, and the dividends were paid out of reserve and not out of the profits.

Witness.—The losses were not then known to be 30 lakhs.

Major Innes.—Yes, to the Directors at least. That is the sum stated in the Directors' letter reporting the dividend to Government.

Witness.—Still I think the declaration of a dividend quite justifiable under the circumstances.

Major Innes.—With respect to overdrafts on current deposits, under what head would you allow it to stand? Would you allow it to remain as lessening the deposits or as increasing the outstandings?

Answer.—As increasing the outstandings.

Major Innes.—Yes, but that has not been so shown in this case.

Answer.—Of course there are different ways of keeping books, but I should say put it to increasing the outstandings.

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Mr. C. E. Benn.

2nd September 1868.

C. E. Benn, sworn.

I am Manager of the London, Asiatic, and American Company. I was an Auditor of the Bank of Bombay for the half-year ending 1865, and subsequently to that time. I examined the accounts of the Bank as carefully as I could. I am aware of the charge that has been made that the dividend for the second half of 1865 was paid out of the capital of the Bank. I heard so just now. It is not true.

[Witness here gives similar evidence to that given by the last witness, as to the profits earned by the Bank in 1865.]

President.—Now, although there was such a large balance of profit at the end of 1865, namely, Rs. 28,05,000, and the dividend was really paid out of the profits, yet considering the manner in which the Bank's capital was invested at that time, do you think it was a prudent thing to declare a dividend?

Witness.—I think it was perfectly justifiable; I do not say prudent. I consider that I was in a position to judge. I certainly did not ascertain the value of the shares deposited with the Bank as security for the loans, but I read the report made, I think in August 1865, when things were at the worst; and the Directors then told the shareholders that the probable losses would amount to thirty lakhs; but between that date and the end of the year there was so much improvement in Bombay in the value of the different securities and the dividends to come from the various insolvent estates, that I considered that at the end of the year the probable loss would be diminished by three-quarters. That was certainly so, as far as I could judge, for I made no official valuation, but only a rough estimate for myself. I did not endeavour to make any estimate as to the value of the shares at the end of the year. I did not make any estimate of the value of the promissory notes. I should not have considered myself so well able to do so as the Directors themselves.

President.—Then you could scarcely form an opinion as to how the capital of the concern stood?

Witness.—Looking at the matter in that light, perhaps that is so. I did not make any inquiries as to the renewal of promissory notes. It may perhaps have struck me that they had been constantly renewed, and frequently for very long periods, but it was not any part of my business to make any remarks about it. As far as I could judge from precedents, I considered that it was an auditor's duty to make an examination of the accounts, and certify whether the securities lodged in the Bank were in proper order and agreed with the books in which they were recorded, and whether the cash balance was correct.

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Mr. Homejee Cursetjee Dady.

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Homejee Cursetjee Dady, sworn.

I obtained a discount from the Bank of Bombay on the 30th March 1865 for one lakh, and I also borrowed on the 19th September 1865 Rs. 75,000. The loss on those two transactions may have been Rs. 1,03,000. I do not remember. Shares were deposited by me as security for the first loan. I was recommended to the Bank for that loan either by Cowasjee Manockjee or Mr. Hannay. The letter now shown to me, recommending me to Mr. Robertson for a loan of two lakhs, dated the 8th March 1865, is in the handwriting of Cowasjee Manockjee (marked A 125). I obtained that loan of one lakh to buy shares with. I do not recollect from whom I purchased them. I bought them in the bazaar. The money obtained by the second loan I paid into my account with the Old Financial Association. I account for there having been such a loss on these transactions by the depreciation in the value of shares. The shares deposited were four of the Back Bay Company and nine of the Victoria and Colaba Company. I was not pressed by the Bank to pay. The Bank never sued me. Mr. Hannay did not interfere to prevent proceedings being taken against me. The letter shown to me is a letter by Mr. Hannay to Mr. Robertson, recommending him to renew my loan (marked A 126). I paid Rs. 10,000 on renewal of my bill.

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Mr. F. F. Lidderdale.

4th September 1868.

Francis Frederick Lidderdale recalled.

President.—When Mr. Brown was examined, I asked him about several securities deposited by the Asiatic Bank which seemed to have disappeared, and we were unable to trace them; he said that he would do so if we gave him time, and he subsequently sent us in an account, but the information to be collected from it is very meagre, and he also sent us another note showing the realisation of some of the property eventually given as security. I wish now to go through the different Board Minutes with you, and see how many more we can extract. On the 14th May 1866 we find the following entry on the Minutes: "Read letter from Mr. Morrison, the Agent of the "Asiatic Bank, requesting a loan of 15 lakhs for that "Corporation. Read also a list of securities he is pre-"pared to deposit." "Resolved that the credit be "granted upon his giving up all the securities stated "in the list, and a written guarantee to deposit imme-"diately on receipt the bills and Government paper "now on their way from Calcutta and China." Do you remember that transaction?

Witness.—Yes. I was present at the Board, and assented to the granting of that credit. I objected to it at first, but eventually assented from the desire to assist a large banking institution, and to avoid a great many failures, and a great deal of complication in Bombay. To the best of my recollection I considered that, by that resolution, we granted the Asiatic Bank a cash credit of fifteen lakhs, and not liberty to overdraw their account for a certain period, whenever they liked, for any amount up to fifteen lakhs. I remember seeing the list of securities mentioned in the resolution. I cannot positively state that the list now shown me is a correct copy of it; but to the best of my recollection it is, for I see certain Bank bills here which I believe were included in the list shown us. (List marked A 127.) I cannot say whether any Government paper was ever deposited with the Bank. Government paper, if deposited with the Bank as security, should be entered in the Securities Ledger, which was produced here at the last examination, in the ordinary course of circumstances, but in this case it might not have been entered, in order to carry out the desire of the Bank of Bombay not to injure the credit of the Asiatic Bank by showing that the latter gave securities to the Bank of Bombay. Undoubtedly

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Mr. F. F. Lidderdale.

some record ought to have been kept of the securities received. The deposit of the Government paper by the Asiatic Bank was not dispensed with to my knowledge.

I was not present at the special Board meeting on the 25th of May, when the credit of fifteen lakhs already granted was extended to twenty lakhs, upon the additional security of a lien on ten lakhs advised by telegram from London as having been sent by the Mail of the 18th of May. I remember hearing of it, more particularly with reference to the security of the ten lakhs. In all probability the payment credited on the 11th of June in the account, in the books of the Bank of Bombay, of Rs. 10,59,000 represents that sum of ten lakhs. I remember well that the Asiatic Bank was selling bills at that time, and I have since had reason to know that many bills were sold. I have no doubt that is the amount received from England; it tallies as to the date. My idea of the way in which this credit should have been worked is, that as the securities were realised the credit ought to have been reduced. I can only speak as to what was done up to the 9th of August 1866, when I went to England.

I am referred to the following Board minute of the 12th of June:—"Read letter from the Agent of the "Asiatic Bank, stating that his Calcutta Agent had "been unexpectedly drawn upon from China, and "requesting that the credit of four lakhs might be "opened for him with the Bank of Bengal by tele- "gram as formerly." "Resolved that the credit be "opened on condition that, besides the securities "already deposited with the Bank, the Agent here "will give a lien on all remittances which may be "received from England, China, and other Branches "of the Bank."

That was done on Mr. Morrison's representation that certain remittances were coming. I do not think that any list of those remittances was given; it was a mere statement taken from the letters from the Head Office and Agencies, that he had funds coming in. I cannot state from recollection what securities were already deposited at that time, or whether the bill on the National Bank for Rs. 50,526, and that of the Chartered Bank for one lakh, were the only securities we had remaining at that time. That could only be answered by the Bank officials. I have no doubt that we ascertained what balance was actually due by the Asiatic Bank on the 12th of June, for the Directors made most careful inquiries in this case before granting these loans, and I did most especially, as being an unwilling lender, or rather participator in the loan. I have no doubt that the Directors satisfied themselves as to the meaning of the words "all "remittances which may be received from England, "China, and other Branches of the Bank," although I cannot recollect what was stated.

I am referred to the Board minutes of the 3rd July 1866. I was present at that meeting as President, and the minute of the meeting held on that date states as follows: "Reported that the Weekly Com- "mittee had authorized the Secretary to telegraph "to the Bank of Bengal to advance the Asiatic Bank "three lakhs of rupees if necessary. This amount "will be paid back on the arrival of the China Mail "at Calcutta, as the Agent gets five and a half lakhs "by it."

That last statement was made and entered in the minute, upon the authority of either a letter or telegram from China, stating that the bullion was shipped. I cannot say whether that was the telegram in cipher that Morrison afterwards said he had misunderstood. I have no doubt that we ascertained what balance was due at that time by the Asiatic Bank. We had the accounts taken at each meeting. I cannot positively say that we ascertained what securities remained in our hands at that time, but I think that we did. It was a loan most carefully looked into on each occasion. I cannot say whether the five and a half lakhs ever arrived from China. Mr. Rodgie could probably ascertain from the Bank of Bengal accounts with the Bank if that sum was paid in Calcutta.

I am referred to the minute of the 13th July 1866, which commences as follows: "Submitted applica- "tion from the Asiatic Bank for an extension till 1st "September next, of the cash credit of twenty lakhs "lately granted, and that the dividend of nearly three "lakhs due to the Bank from Byramjee Hormusjee "Cama's estate, be not drawn until a sum of five "lakhs expected from China by the Trustees be "received;" and a list of securities offered against *this* credit follows. I think that the original cash credit was granted for a short period only. I believe that the dividend of nearly three lakhs received from B. H. Cama's estate was not lost to the Bank. I cannot explain whether the list of securities appearing in the minute comprised the old and fresh securities, or whether the securities mentioned in it were in addition to any securities previously deposited. I observe the words "this credit" in the minute. It may be only the inaccurate wording of the minutes, they are very badly worded,—there is no question about that (after looking at the minute). One hundred and two and a half Apollo Press Company shares I see are entered in the list, they formed part of the previous securities; there were originally twenty-eight shares. Each share was divided into five when the Company was registered under the Joint Stock Companies Act. The Bill of the Chartered Bank was I believe realised by the Bank of Bombay. The promissory note of Macindoe, Rogers, and Co. for eight lakhs secured by the title deeds of property, has been partially realised by the Bank, but in consequence of an informal deed having been drawn up, the Bank lost their full right to recover. That mistake was not made by the Bank's solicitor, but by Mr. Crawford, who was employed to draw up the deed, which was a very informal one. The promissory note of the Bombay Coast and River Steam Navigation Company was realised. The next items in the list are "a lien on funds now on their "way from Calcutta, two lakhs; and lien on Java "Guilders at Calcutta to be remitted to Bombay, "three lakhs." I do not know whether those two sums were ever received. I believe that scarcely anything has been realised from M. and M. Heerjee and Co.'s promissory note to Premchund Roychund for Rs. 2,56,000 as they became bankrupt. The bill on B. H. Cama, Sons, and Co., due on the 28th of July for Rs. 50,000, I should think was paid. It was difficult in those days to get even a merchant's bill paid; it is quite possible a day or two's grace might have been given.

President.—The result is that of these securities there are five lakhs unaccounted for, and we have no explanation whether the sum of five and a half lakhs that was to come by the China Mail to Calcutta ever arrived. Do you observe from the minute of the 13th July that the Bank seem to have insisted upon additional terms, "a lien on all remittances from the "Head Office and Branches," they ought to have had that at the time, it was part of the arrangement made on the 12th of June, and you ask again for it as if it had never been given.

Witness.—I cannot explain that. I observe that we also stipulated "that the Trustees of B. H. Cama "should give the Bank a lien on their expected re- "mittance from China." I can only explain that in this way—Mr. Robertson, the Secretary of the Bank, was also a Trustee of B. H. Cama's estate, and probably it was thought that it would save disputes thereafter if we had an assignment from the Trustees. I cannot say whether the assignment was given, but the money I believe was paid in. I may say with regard to the two lakhs expected from Calcutta and the three lakhs of Java Guilders that they could hardly have reached Bombay before I left, and that is one reason why I cannot speak to them. I had nothing to do with arrangements made on the 23rd of August 1866 between the two Banks. I retired on the 8th of August, and I attended my last Board

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Mr. F. F. Lidderdale.

meeting on that day. I should say that it was our intention that a cash credit of twenty lakhs should be granted, and that as the securities were realised, the proceeds should go to the reduction of the cash credit, and that it never was the intention of the Directors to permit the Asiatic Bank to have an overdrawn account to that amount perpetually running, without regard to what might have been realised by sale of the securities. My impression of all the loans at that time to the Asiatic Bank is, that they were loans covered by special securities, and that as the securities were realised, the proceeds were taken in reduction of the loans. The original security was amply sufficient to cover the first loan, and there was sufficient security for the credit of twenty lakhs. I know nothing of any transactions between the Banks on the 28th of August 1866, or how the claim on Muggabhoy Huttising came into the possession of the Bank.

I have only lately become aware that the Bank of Bombay allowed some of their debtors to sell Bank of Bombay shares and buy Back Bay shares with the view of bettering the condition of the Bank. I have only learnt it from what I have read. I was not here at the time; certainly nothing of the kind happened to my knowledge.

My attention is called to the addition made to the minute of the Board meeting of the 27th of April 1866. I recollect perfectly well that Mr. Fraser, who was then, I think, acting as Deputy Secretary or Accountant, came to me the night before I left for England and requested my signature to it. I should think the minute had been left unsigned from the fact of two having been signed at the same Meeting, and that it was probably turned over by the Secretary by accident without having been seen. I observe the first entry in the next minute "read minutes of last "meeting of the 26th and 27th (two);" the word "two" probably remained in my recollection, and I signed two without remembering the third. These minutes were brought forward at the meeting by the Secretary who read them over and brought them to the President for signature. The minute of the meeting of the 27th April 1866 was not left open with the view of amending that statement. Certainly not. I have refreshed my memory as to that, by referring to my partner Mr. Fogo, who was living with me, and he quite convinces me that I asked Mr. Fraser why the minute was left unsigned, and he said that he did not know, but supposed that it was an accident. I have not refreshed my recollection since I was last examined, as to my visit to Parell on the 27th of April 1866. I am not able to give any further information about it; unfortunately my private papers have been lost during the removal of my office, and I have no memoranda to refer to. I cannot account in any way for having forgotten such a very important thing as that, except that it was more directly the duty of the Government Directors to go to Sir Bartle Frere, and I must have been satisfied then that he had acquired the knowledge that I wanted to give him.

It was towards the end of May 1866, I should imagine, that I discovered that the jewels deposited by Premchund with the Bank of Bombay, were not worth twenty lakhs. I had not done so on the 11th of May, because more were promised at that time, that is my recollection of it. I am referred to the following passage in my letter to Sir Bartle Frere (L 1)—"as you already know to what extent the Bank "offered to assist Premchund, you will not be alarmed "I am sure, at the absurd rumours that are flying "about, that the bank has given him 80 lakhs. He "has not had twenty yet, and we have as security, "over twenty in landed property, and three or four "in jewels (he says ten), and of this advance, about "three-fifths has to be borne, and is guaranteed by "other sound Banks."

I was present at the valuation by Mr. Crawford, and from him I should say I took the idea that the jewels were not worth more than the sum stated in that letter. Mr. Crawford's statement in valuing was, that this was the value he placed upon them for immediate sale, but that probably they would fetch more. He valued them upon two occasions; the Bank had only a part of the jewels at his first valuation, but subsequently acquired the rest. I think that the second batch of jewels, which was a very small one, came in on the 8th May, but I have no memorandum of the date. His second valuation was dated the 24th of May. It is quite possible that that was long after, and that they came in on the 8th May. Mr. Crawford's was a very stringent valuation, and the jewels might have brought more, if sold by auction. They were valued at Calcutta at a very much higher sum. It is my belief that I was only writing of one portion of the jewels when I wrote to Sir Bartle Frere. It is true that I did not say that there were some more jewels yet to come. There was great difficulty in getting the second batch out of Premchund, and it may have been on my mind at the time that there was a probability of the Bank's not getting it.

President.—You see that at this time he had not had twenty lakhs, you said—"we have his security of over twenty lakhs in landed property, and three or four lakhs of jewels—he says ten lakhs." Upon what grounds did you advance the rest of the twenty-five lakhs; did you really believe that the landed property was worth twenty lakhs?

Witness.—I believed that it was worth nearly that amount. I cannot say that Mr. Norman told me that it was worth twenty lakhs. Although Mr. Norman states that at that time it was only worth fourteen lakhs, I think he did not make so explicit a valuation then, as he has done since. From what now appears it would have been prudent to have stopped advancing at that time, but I cannot fully recall all the circumstances that occurred. At the time that the loan was made, Premchund was largely indebted to the Bank, and that part of his indebtedness was taken credit for in the twenty-five lakhs loan, to the extent of seven or eight lakhs as I understand.

Mr. Melvill.—Do you not think you should have asked Premchund to explain, after he had deceived you about the value of the jewels?

Witness.—We did ask him many times.

Mr. Melvill.—He seems to have drawn seven lakhs after that.

President.—He spoke of depositing more jewels, but he never did so. Did he promise to deposit more jewels after the 8th May?

Witness.—To the best of my recollection he constantly promised to deposit more jewels which were never forthcoming.

Mr. Melvill.—There is one point on which I should like to ask you a question, and that is with regard to the omission to realise the securities when the shares went up in 1865. Do you know if that letter from Cowasjee Manockjee (A 120) was ever laid before the Board?

Witness.—No. I do not recollect that letter ever being laid before the Board.

Mr. Melvill.—You see he asks that the opinion of the full Board may be taken upon it?

Witness.—I remember that at the full Board meeting, Cowasjee Manockjee gave them such advice, and it was fully discussed. Some Directors were very much against it, and thought we should wait, and eventually it was agreed to wait.

Mr. Melvill.—Even as to securities that were sufficient to cover the debt if they were sold?

Witness.—There might have been cause for that, probably the securities consisted of so many shares, that to throw them into the market would have been unduly to depress it.

Mr. Melvill.—Jaivirilall Umiashunker says in his evidence "after September 1865 Asiatic Bank shares "went up to sixty per cent. premium. I urged the "Secretary to sell and pay off the debt, and he would "not do so."

Witness.—At that time there was a difficulty in selling shares, many shares were practically unsaleable,

and the quotations in the market were really confined to a few. It is not at all improbable that owing to calls at that date, many of the shares held by the Bank were not saleable.

President.—But if Mr. Robertson was deeply interested in those shares, is it not probable he would be reluctant to throw them on the market?

Witness.—That would be his bias probably.

Mr. Melvill.—Can you explain how you came to declare a dividend at the end of 1865?

Witness.—Because the profits of the Bank during the previous twelve months had been of much greater amount than was necessary to cover the anticipated losses.

Mr. Melvill.—Still, after declaring a dividend you appointed a Committee to ascertain the losses.

Witness.—No; the Committee was appointed to decide what debts were irrecoverable, and write them off.

Mr. Melvill.—Do you think it was wise to declare a dividend under the circumstances?

Witness.—Yes. Every member of the Board went through the different items, and very great pains were taken to ascertain what losses might be expected. I forget the exact amount of the profit.

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Mr. F. F. Lidderdale.

President.—It is stated very clearly. It was stated that there were still nineteen lakhs when the amount written off as irrecoverable, four lakhs and upwards, had been deducted.

Major Innes.—Was it the full Board that came to the conclusion that thirty lakhs should be set down as the probable amount of the losses in 1865?

Witness.—I have no doubt it was at a full Board: the matter was most carefully discussed.

Major Innes.—But do you recollect whether you were aware that the thirty lakhs was the amount of the probable loss before you decided to declare the dividend?

Witness.—No; I cannot recollect without inspecting the minutes made at the time.

I wish to remove any doubt which may exist as to the correctness of my statement before the Commission on the 6th July last, that with the exception of shares in the Bank of Bombay, I had not held a share in any Company, except one in the Port Canning Company. Five shares in the Bombay Reclamation Company, forming half of an allotment made to my firm, were placed in my name, as the registration of the allotment in the name of my firm was not allowed.

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Mr. J. Stuart.

JOHN STUART, recalled.

President.—I will call your attention to your letter dated the 1st February 1867, written as Secretary and Treasurer of the Bank of Bombay, to the Chief Secretary to the Government of Bombay. The seventh paragraph of that letter ends in this way: "earnestly desirous, however, of meeting the desire of "Government, in this respect, and, above all, of not "misleading them by any mere hasty guesses, the "Directors have with long and laborious care "examined the state of every outstanding debt, and "although, for the reasons already given, they submit "that it is impossible to give any closely reliable esti-"mate, they at least feel able to express their belief "after rigorous valuation, that one half of the Bank's "capital remains intact." Will you tell us the ground upon which you proceeded in making that statement?

Witness.—The letter was written a few days after I had arrived in India, and taken over charge of the business of the Bank. I arrived on the 12th January 1867. I found that previous to my arrival a statement had been carefully prepared of all the outstanding debts due to the Bank at the Head Office, as well as a similar one of all outstandings at the Branches. Before the letter was written a special meeting of the Directors was held on the 30th January at four o'clock in the afternoon, and it sat until late in the evening, and adjourned till ten o'clock the following morning. This list was submitted to the meeting on the 30th January. I sat near the President, Mr. Lushington, a Government Director, on the one side, and Mr. C. E. Chapman on the other, and each account was carefully examined, and the value of the securities held by the Bank for advances was taken. This list was very carefully prepared beforehand. After deducting from the total amount of each advance, the valuation of the shares deposited as security (the valuation of the shares being made on the best information that the Directors could obtain), we estimated the probable dividend from the estate of each debtor whose debt was considered bad, and each account was considered in that way, and the good and bad were separated. The result of the inspection showed seventy-one lakhs of the town business to be bad. The next day the Directors met again at ten o'clock in the morning, and having received from the Agents of all the Branches similar statements to that which I have now shown you of all the advances, each Agent reported every outstanding at his own Branch. The accounts presented were examined by the Inspector of Branches, who attended at the meeting on the morning of the 31st, and each account was analysed in the same manner as the town accounts. The result was that it was estimated that there were thirty-two lakhs of bad debts at the Branches. That would give a total bad business of one hundred and three lakhs. That amount was deducted from all the outstandings, and upon that, the Directors framed the letter in which they said they were justified in stating that one-half of the capital of the Bank was still intact.

To show that the securities were not over-valued at the time, I will, if you think proper, put in a certified copy of the valuation made of the shares held by the Bank (marked A 128). There has been so much said about the view taken by the Directors of the value of Back Bay shares, I think it right to state that they did not take too sanguine a view of the matter when they valued them at Rs. 3,000 per share. Mr. Scott, who was then one of the Directors of the Bank, rather objected to that valuation, and he afterwards wrote me a letter and sent in a statement as to the position of the Back Bay scheme, showing that at that time (the 2nd February 1867) Back Bay shares were worth Rs. 5,000 each. We sold them subsequently for Rs. 1,800 per share.

I know that the Directors were particularly anxious to avoid over-estimating the value, there having been so much doubt expressed as to the former valuation. I believe it was as conscientious a valuation as could have been made at the time. I may say that personally I knew nothing of the correctness of the estimates; many of the shares I had never even heard of until a day or two before, but I think that the Directors gave what to the best of their belief was the best estimate they could of the real state of the Bank's assets at the time; that is the estimate they proceeded upon. Of course I had no returns then of the out-turns of some of the insolvent estates, and some of them have turned out very different from the estimates made at the time. I was very explicit in what I wrote upon that point; I said: "the difficulty of revising the last estimate must be ap-"parent to Government, when I state that at the time "when the revising Committee's valuation was made, "no less than two hundred and forty-five accounts, "aggregating 2,16,80,000, were claims against estates "being wound up under trust. The claims of this "nature still outstanding amount to Rs. 2,11,30,000, "and regarding these the Directors have not yet "been able to obtain further reliable information;" and in paragraph 4 I wrote: "the Directors have

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" every desire to afford Government all the informa-
" tion in their power with regard to the actual state
" of the Bank, but from the fact that a very large
" proportion of the outstanding claims is against
" estates now being wound up under Trustees, they
" find it almost impossible to give an absolutely
" reliable valuation of probable recoveries." The statement of the Directors that the capital was intact to the extent of one-half, was founded upon those estimates. There were four or five Directors present, each of them had taken down the good business of each account, and we afterwards compared the figures together.

I am not in possession of the estimates made by the previous Committees. I saw the rough copy of one of the estimates, but I could make nothing out of it, for there were no details showing the principle upon which it was made. It was not an estimate which I could check at all; I had not previously investigated it. The Directors had no object in concealing anything from me. They knew that in a very short time I must find it out, and I believe that every Director at the table believed it to be an honest valuation. I can explain how it is that things have turned out so much worse than was anticipated. In Premchund's account I think the Directors' estimate was that there would be a loss of five lakhs. On estimating it again when I had been in the Bank six months, and when I had a better knowledge of the securities held, I calculated that there would be a further loss of fifteen lakhs, and I believe now that it will be still greater. There was one thing, for instance,—the estimate of the jewels he deposited; they were valued at four and a half lakhs of rupees, and I have sold them for two lakhs and a half. Then there were ten lakhs and a half estimated as the contribution from the Banks on Premchund's account, and in my last estimate I struck out eight lakhs of these, for they were disputed claims. And afterwards, as Liquidator of the Bank, I struck out the whole of these disputed accounts. If anything is recovered on them, of course it will go to the credit of the Bank.

There is another account on which there has been a considerable loss in the realisation. That is Premabhoy Hemabhoy's account. His debt was seven lakhs. His firm had been established in Bombay as Shroffs for a hundred years. He was formerly a member of the Legislative Council of Bombay. He was always considered to be a man of great wealth, and it was thought his account was quite safe. The only security for the debt that we held from him was a house in Love Lane, valued at one lakh and a half, which I am now trying to sell for half a lakh but cannot get it. Premabhoy went off upon a pilgrimage; he is absent from Bombay still, and I cannot get hold of him.

Then Mr. Rustomjee Jamsetjee Jejeebhoy's estate has turned out much worse than the estimate of it in February 1867. It was then estimated at 50 per cent., but the result will be that only 12 per cent. will be obtained from it.

In February 1867, the debt of the Eastern Financial Association was valued at eight annas in the rupee, or fifty per cent. It was compromised for five annas in the rupee, and there was a loss upon that of Rs. 10,95,264. The case of the Alliance Financial Corporation is a similar one. The debt was Rs. 8,59,763, and it was considered good for six lakhs, but of that one half is now estimated as bad. The total loss on that is Rs. 3,87,375.

Then there was the Imperial Banking and Trading Company, the debt of which was considered quite good.

President.—Why did it not turn out good? It was a Company with unlimited liability, was it not? How was it you could not get hold of the shareholders?

Witness.—The shareholders were not to be found. Most of them thought a change of climate was necessary for them, or something of that kind, for we could not get hold of them, and the debt was compromised at eight annas in the rupee.

Then there was the Kattyawar Trading Company, which was considered quite good; that debt has been compromised for six annas in the rupee.

The Asiatic Banking Corporation, which was very heavily indebted to us, was considered, in February 1867, quite good, but now there will probably be a loss on that debt, of three lakhs of rupees.

Roychund Deepchund was also considered good, but there has been a loss of Rs. 75,000 on his private account, independently of his liability on the loan to Pemchund Roychund of twenty-five lakhs. He failed before the time when the estimate was made, but he never went into trust, and has not gone through the Insolvent Court. He has disappeared.

Act XXVIII. of 1865 of the Legislative Council of India has been most detrimental to the Bank. Upon arriving out here, I found that most of the principal debtors to it were reposing under Act XXVIII. of 1865; we could get nothing from them except through the Trustees. To go to the High Court we had to go through the Trustees. We went to the Court in one or two cases, but did not succeed in getting anything. The working of that Act depends in a great measure on the choice made of a Chairman at the meeting of creditors, and the character of the persons appointed Trustees at the meeting. The Chairman is appointed by the creditors present at the meeting. I believe there is no provision for ascertaining who are creditors. Before the Chairman is elected, anybody can go into the room; and after the Chairman is elected, he decides who is, and who is not, to vote. The persons who elected him may not be *bond fide*, but fictitious creditors. I cannot state from my experience that it has been the practice to elect a friendly Chairman, because I never was present at a meeting, but I have heard many complaints of it upon all sides. I think the fatal mistake in the Act was the enactment that any person whose *liabilities* exceeded five lakhs should go under the Act. It should have been provided that no one whose *assets* did not exceed five lakhs should pass under the Act, because then very few of those who obtained the privileges of Act XXVIII. would have got them. If debtors contrived to elect a friendly Chairman, and had friendly Trustees appointed, things became very smooth for them, and they worked amicably together. I cannot say that the appointment of three Trustees under the Act was a wise measure. I do not think it was material, because a man who could get two, could easily get three friendly Trustees. If the Trustees have grounds of suspicion, they can bring the debtor before the Court, but there is no proceeding by which a man can be brought before the High Court if the Trustees sheltered him.

We have a register in the Bank of all the estates in trust under the Act, and of the amount of the dividends declared. The average dividend paid by estates under the Act is, I think, about five per cent. I do not think that there is one estate in which the Bank is interested, which has been finally wound up yet under the Act which was meant to be an improvement on the old Insolvency Act, and to facilitate the winding up of estates expeditiously. My view of the working of the Act was expressed in the Report which I made to Government since I undertook the duty of Liquidator of the Bank. In the eighth paragraph I say:—" The claims on insolvent and other
" estates amount to Rs. 2,22,05,436, and it is esti-
" mated from the Reports of the Trustees and the
" Official Assignee, that the ultimate recoveries may
" amount to Rs. 19,79,680, but this result is contin-
" gent on so many doubtful and disputed claims, that
" it is difficult to arrive at any really satisfactory
" estimate of this large outstanding, which consists
" of 244 separate and distinct accounts on Insolvent
" estates, classified as under, namely, claims on
" Insolvent estates under Act XXVIII. of 1865,
" Rs. 1,07,61,879; ditto private trust or otherwise
" insolvent Rs. 81,11,985; of insolvent estates under

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" Official Assignee Rs. 6,31,600; ditto Companies " winding up under the supervision of the High " Court Rs. 27,79,972; total Rs. 2,22,85,436. It is " almost impossible to offer any opinion as to the " period within which the dividends may be received; " the final winding up of many of the estates being " delayed in consequence of causes still pending in " the High Court; and until these are settled, the " Trust accounts cannot be closed." The Act is no longer in force.

Messrs. Brown and Best deposited with the Bank the certificates of forty-six Port Canning Company's shares as security for the loan to them of Rs. 2,50,000. They were sold at Rs. 125 each, and realised Rs. 5,541 only. In October 1866 they were entered in the Securities Book at Rs. 46,000. That was the par value. I believe the reason for their being sold when they were, was that a call was about to be made. If we had not sold the shares, the Bank would have had to pay the call, or the shares would have been forfeited; and the Bank preferred selling them. If they had been sold in good time, they might have realized a large amount.

I have heard the evidence given here about the cash credit granted to the Asiatic Bank. According to my experience, when a cash credit has been opened for twenty lakhs, and twenty lakhs of securities lodged at the same time, the realisation of the securities should extinguish the debt. There could be no further drawing after twenty lakhs had been drawn out.

To Major Innes.—The papers that I saw, bearing on the former estimate of the position of the Bank, were incomplete, and I could make nothing of them. The Committee, consisting of Messrs. A. J. Hunter, E. F. Harrison, and Dinshaw Manockjee, described, if I remember rightly, in their Report, the way in which they arrived at their estimate, but I do not think that any of the former estimates were based on regular papers, as mine of June 1867 was.

In preparing that estimate I took the current valuation of the shares which we held as security, and I got from the trustees of the various estates reports of the probable returns on the admitted claims; these reports are all in the Bank; I do not know whether any similar reports were given on the former occasions. The Directors occasionally refer to information received from them, but I rather think that it had been given verbally.

[Mr. Rodgie mentions that on two former occasions Trustees of estates had been consulted, but that no formal reports had been received from them—only brief notes.]

Mr. Stuart.—The calculations in my estimate of June 1867 were based on formal reports from them.

I do not think that there is much difference between the dividends which are now expected and what were then reported to be expected; the alteration in the recoveries is owing chiefly to the depreciation in value of shares.

Some debts then believed to be good have since turned out bad, and some of the insolvent estates have not turned out so well as we expected. There is the case of Manockjee Limjee and Company. The High Court has ordered that the joint creditors shall be paid out of the joint assets, and the separate creditors out of the separate estates of the partners. This will reduce our dividend from the estate ten per cent., and there will thus be a further loss of one lakh, as we are creditors upon the joint estate.

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WILLIAM BULLOCK, recalled.

Roychund Deepchund, Premchund Roychund's father, did not, I believe, advance or lend money to me in the year 1920 (1863–64). To the best of my belief he did not. I have no recollection whatever of his having paid on the 24th November 1863, on my account, for the second call on twenty shares of the Royal Bank the sum of Rs. 1,000. I have referred to Roychund's books here this morning. I cannot speak positively about what took place in 1863. I believe that he did not advance that sum of Rs. 1,000 to me. I will not swear that he did not. I have no recollection of his having advanced me the sum of Rs. 1,500 by a cheque on the Bank of Bombay upon the 29th January 1864. I never kept a book of my own private transactions in my life, or any memoranda. I had an account with the Bank of Bombay. I think I had an account there in 1864. I will not swear that these entries in Roychund's book have not had their origin in the purchase of shares of the Royal Bank for me. I will not undertake to deny that he advanced me the Rs. 1,500; but in a matter of which I have no recollection it is difficult even to deny it. I think my circumstances were such at that time that it is likely I would not remember an advance of Rs. 1,500 four years afterwards. There was nothing special about my circumstances. I cannot particularise them. I was Agent of the Kalbadevi Branch of the Bank of Bombay in 1864, and before that I was in the Bank of Bombay. I cannot undertake to say that my circumstances were such that I find a difficulty now in saying whether I did or did not receive Rs. 1,500 upon a certain day. I am unable to contradict the books of Roychund Deepchund.

The transaction may have had its origin in several ways; to the best of my recollection I never borrowed money from him, except as I admitted when I was here before. I might have sold him shares or stock, or I might have bought shares. I believe that I have sold stock to him. I cannot say when I did so. I have repeatedly had transactions with Roychund as a broker; he was in the habit of coming to the Bank frequently. I have bought shares from him, and I have no doubt I have sold to him. I do not recollect whether I received this Rs. 1,500 or not. I will not undertake to deny that I had it. I have no knowledge of the item debited to me on the 7th April 1864, in Roychund's book, as "amount of interest " up to date Rs. 232." I am referred to the following entry in his book on the 13th April 1864: " debited " to the account of Mr. Bullock, of the Bank of " Bombay, in full payment of account Rs. 123–10–0." I have no knowledge of any of these entries, and the only explanation which I can suggest with reference to them is, that he bought shares, and that not unfrequently I bought shares from him for friends upcountry, and upon several occasions on my own account. That is the only suggestion that I can give, that he bought and sold shares, and debited me with the interest, as you see there, and that the balance was paid. That is my own belief as to the origin of these items, and I can give no other explanation. I am referred to an entry of the 22nd June 1864: " debited to the account of Mr. Bullock, of the Bank " of Bombay, Rs. 1,058–11–0, paid for fourth call on " twenty Royal Bank shares with interest."

I believe I had shares in the Royal Bank. I cannot now say who paid the calls on them. It not unfrequently happened that when new stock was issued, the certificates were not delivered for some time afterwards; and in that case the seller would have to pay the calls, and hand over the shares to the purchaser, and in that way Roychund might have debited me with the cost of the calls. I am quite unable to re-

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member who paid the calls upon Royal Bank shares for me. I do not remember that Roychund Deepchund paid these calls for me, but it appears so from his account.

If Roychund Deepchund had sold me shares in the Royal Bank of the old issue, the new shares would have been allotted to me in his name, unless he had transferred the old shares to my name, and he would have been compelled to pay the calls in his own name, handing the receipts to me. I admit having had transactions with Roychund Deepchund as a broker. I repeatedly bought and sold shares through him. I remember having stated in my examination on the 24th July last that I had only had one transaction with Roychund Deepchund in which I owed him money. All these transactions to which reference is now made were simply with regard to the purchase and sale of shares, and I did not know in giving my evidence the other day,—in fact I did not remember,—that I had bought particular shares from Roychund Deepchund, or any one else. Three or four years after an event it is a matter of extreme difficulty to remember what transactions one has been engaged in. I think that the amount of my salary in the Bank of Bombay, before I was appointed Agent at the Kalbadevi Branch, was Rs. 450 a month.

I am referred to the following entry in Roychund's book, under the date of 18th October 1864:—"De- "bited to the account of Mr. Bullock, Bank of Bom- "bay, the value of five old shares in the Bank of "Bombay, and five new shares, Rs. 18,600." I believe that he did not buy those shares for me. I believe I never held shares in the Bank of Bombay from first to last, but I repeatedly bought shares for my friends up-country. I bought shares of the Bank of Bombay on one occasion for the Agent of the Bank at Indore, Mr. Johnson, I remember that distinctly. I do not remember whether I employed Roychund Deepchund to buy them for me. I do not remember, at this distance of time, whom I employed. I cannot undertake to swear that that was not a payment made upon my behalf. I cannot speak from memory upon a matter which took place at that date.

To the best of my recollection I never held a Bank of Bombay share in my life, either in my own or in any other name. I bought shares in the Bank of Bombay half a score of times, I have no doubt, for different persons, my own friends. I paid for them, I believe, at the time. I cannot say whether I employed Roychund Deepchund to buy them. I cannot give any explanation of these items; they have taken me by surprise. I was not aware, when I bought and sold shares, that the transactions were being recorded in a book which would be produced before a Commission in the Town Hall, or of course I should have made careful entries. I am referred to another item, as follows:—"1st March 1864 credited to the account "of Mr. Bullock, of the Bank of Bombay, cash "Rs. 15,000."

That must have been on account of these Bank of Bombay shares which were purchased. I am referred to another entry, on the 6th April 1864: "cash to the "credit of the account of Mr. Bullock, Rs. 4,062, by "cheque upon the Royal Bank." I do not recollect paying him that sum. I never had an account with the Royal Bank, I think. I am referred to the next item: "Credited to the account of Mr. Bullock "Rs. 1,059 by cheque upon the Bank of Bombay." I do not remember those payments. I never knew that there was an account of this kind, I have no recollection of the transactions.

I am referred to another entry on the debit side of the account: "9th November 1864, debited to "Mr. Bullock, for payment of second call on five "Bank of Bombay shares, Rs. 1,500." That must have been a call upon the new shares, which were allotted me for the old ones. If I had bought five shares the money must have been paid. If the shares were bought from me, he would have had to make the payments.

I am referred to another entry: "Debited to the "account of Mr. Bullock, of the Bank of Bombay, "Rs. 2,000, by cheque upon the Kalbadevi Branch of "the Bank of Bombay, 13th June 1865." I believe that to be correct; that I distinctly remember. It was the balance due upon the purchase of shares of the Commercial Bank, ten shares, I think. I am referred to the last entry in the account on the 8th February 1865: "Rs. 19,970-1-7 received in full "payment of account by a cheque upon the Kalba- "devi Branch of the Bank of Bombay." I have no recollection whatever of giving a cheque for that amount. I have no recollection whatever of settling that account.

President.—Do you mean to say that Roychund has made an entry in his own books against his own interest, and that it is a fictitious item?

Witness.—I do not believe that it is fictitious, but my explanation is that he bought certain shares for me and received the money, and that the one side balanced the other.

President.—Eventually, upon the 8th February 1865, one side balanced the other, but till then you were in debt to Roychund. At the end of 1864 you owed him Rs. 18,600, and in fact every year up till then.

Witness.—I do not believe that it was the case. The entries are fictitious as regards the form in which the payments were made. When I received a request to buy shares, the cheque which I received with it would probably go to my credit, and as the shares purchased came in, I probably gave a cheque for them against my account with the Bank of Bombay. I believe I did not pay him that sum, it is easily ascertainable from my account with the Bank of Bombay. I never had any other account with any other Bank. My account was kept at the Kalbadevi Branch. On the 13th June 1865 I owed a sum of Rs. 2,000 to Roychund Deepchund. It was the balance due by me for the purchase of shares in the Commercial Bank. I have paid it, except a small balance which remains due—I think, about Rs. 500. That is the single transaction of which I spoke in my former evidence. I believe that was very shortly before the Commercial Bank stopped payment, which was in May 1866. I speak at random as to dates. I am not speaking at random about this transaction with Roychund Deepchund. I have not the least wish to conceal anything in the matter. I did not mention these share transactions, because I was not aware, until I had it brought to my knowledge, that I had bought these particular shares of Roychund Deepchund. Whilst I was Agent of the Kalbadevi Branch of the Bank of Bombay I bought and sold shares to a very small extent.

President.—Just now you admitted that it was to a very considerable extent, and that you had a difficulty in remembering any particular transaction.

Witness.—Those transactions were not on my own account. I bought and sold shares for others. I seem to have employed Roychund more than any one else, judging from the entries which have been read to me from his books. I believe that I did not leave the shares unpaid for, and the account unsettled till February 1865.

President.—[After conferring with the other Commissioners.] I must tell you, Mr. Bullock, that your evidence has given us more pain than that of any other witness who has been examined before this Commission.

Witness.—I am very sorry for it, but I am unable to give it in any other way. The inference to be drawn from what you have said is, that the interest of the Bank was prejudiced by my own private transactions. To my certain knowledge I am quite sure that nothing I have done in the buying and selling of shares will carry such a large inference as that. It is a matter of some concern to me that the Commission doubt a portion of my evidence, but I can say with perfect honesty that I have given it with as much fairness as

I possibly could. As regards the Bank, it never suffered from any private dealings of my own in this way.

President.—Do you mean to say, Mr. Bullock, that it was right or proper for a person in your position in the Bank, to enter into transactions with Premchund Roychund's father in this way?

Witness.—Allow me to explain. Roychund Deepchund never had any transactions except on security of Government paper, either at the Head Office or the Branch, until he became involved for Premchund Roychund. He certainly had no transactions with the Kalbadevi Branch down to May 1866. Premchund Roychund was my adviser from the first, the person to whom I was told to refer for advice always. Although I bought Premchund's hoondies to a very large extent, he was not, when he failed, indebted to the Kalbadevi Branch in a single Rupee.

I do not remember having allowed Roychund Deepchund to have two advances from the Kalbadevi Branch in 1864. I do not remember having advanced Rs. 5,000 on his promissory note upon the 1st August 1864; my impression was that he never had transactions with the Branch before April 1866. [The President reads the following translation of an entry in Roychund's book: "Cash—at Kalbadevi Branch of the "Bank of Bombay upon a draft or promissory note "interest at four per cent., paid the amount into the "Asiatic Bank Rs. 50,000."]

Question.—How came you to allow Roychund Deepchund an advance at four per cent. in 1864?

Witness.—That depends entirely upon what the rates of interest were at the time.

Question.—Do you mean to say the rate was so low as four per cent. in 1864? 4 Sept. 1868.

Answer.—No; but we were in the habit of taking short debts at a much lower rate than others. My impression is he could not have got the money at such interest, and my idea is that it is more likely to have been fourteen per cent, I can truly say that Roychund Deepchund never received any favour at my hands in his life. *Mr. W. Bullock.*

President.—There is another entry on the 18th October 1864 of Rs. 60,000 lent on old and new shares of the Bank of Bombay. Do you mean to say you never advanced him that money?

Witness.—I think not. I have no recollection of it. My impression was that there were no such advances to him previous to 1866.

President.—The balance due is carried forward at the close of the year, the sum of Rs. 1,10,000 was brought over to the next year's account.

Witness.—I may have been mistaken about his having had advances before. I am not quite sure, for it is very difficult to speak of matters in this way a long time afterwards.

[After a short adjournment.] The cheque on the Kalbadevi Branch of the Bank of Bombay now shown to me, for Rs. 19,970-1-7, dated the 8th February 1865, is signed by me. (Marked A 130.) This cheque is, no doubt, in payment of the purchase of five shares in the Bank of Bombay.

President.—It is for the exact balance of Roychund Deepchund's account with you.

Witness.—I am unable to explain it.

4th September 1868.

4 Sept. 1868.

Mr. Khuttow Khimjee.

KHUTTOW KHIMJEE, affirmed.

I obtained two discounts from the Bank of Bombay, one on the 26th April, and the other on the 12th September 1865: Rs. 40,000 on the first occasion and two lakhs on the second. I believe I negotiated the loan of Rs. 40,000 through Premchund Roychund;—I do not remember with whom. I do not know who was the Secretary of the Bank at the time. I did not negotiate the second loan for two lakhs on the 12th September 1865. I received a letter from the Bank of Bombay saying that the Bank was ready and willing to advance two lakhs to me on the security of Asiatic Bank shares. I took that note to Premchund Roychund, and he said that he had negotiated the loan. I will tell you what occurred. Premchund said: We will have some trade jointly, "you and I." I replied, "I have lost all my "money, what funds have I to trade with?" He said: "All the moneys I have got are at your "service;" and after we had had that conversation, I received the letter from the Bank of Bombay which I have mentioned to the Commission.

Premchund upon that occasion proposed that there should be a joint speculation by him and me in Asiatic Bank shares. I do not know that there was any one else engaged in that speculation. I never told any one in Bombay that somebody else had an interest in the transaction. There was a loss of one lakh and a half on the transaction. Rs. 50,000 were paid to the Bank by Premchund in part payment.

I was pressed by the Bank for payment; proceedings were taken against me in the High Court, and there was a decree given against me by the Court. I expressed my inability to pay the money, and my books were shown to the Officers of the Bank. After that there was a compromise, and I paid a thousand Rupees and the claim was settled.

The 26th April 1865 was the date when I got the first discount of Rs. 40,000; security for it was deposited either on the same day or a day or two afterwards. I did not buy shares with the money, and afterwards lodge them; they were purchased previously, and were in my possession. When Premchund proposed that I should buy Asiatic Bank shares, I asked him "where am I to get the money from to "pay for them?" I said that as far as I was acquainted with the practice of the Bank they would not advance money unless they got two signatures, and that they would require a deposit of shares before advancing the money. He then said "you may go to "the Bank, and the Bank will make an advance "without taking any shares as a deposit." The next day I went to the Bank, and got the two lakhs immediately. I then bought the shares, and paid for them; I did not lodge them as security, I gave them to Premchund, and my part in the transaction was then concluded.

To Mr. Melvill.—I have no papers to produce. My papers were in the possession of my son, who has gone to his native country. My books are with the Bank of Bombay.

4th September 1868.

4 Sept. 1868.

Mr. R. H. Baker.

ROBERT HOSIER BAKER, recalled.

I was Sub-Agent of the Asiatic Bank during 1865, up to the time the Bank stopped payment, in September 1866. I am aware of the transactions between that Bank and the Bank of Bombay. I know what securities were lodged by the Asiatic Bank with the Bank of Bombay. I cannot speak about the realization of the securities, for most of them were realized after the Bank stopped.

4 Sept. 1868.

Mr. R. H. Baker.

President. — We want information about those realized before the Bank stopped payment; the rest is very clear. You obtained a cash credit about the 14th of May 1866 for fifteen lakhs, and it appears that you proposed to lodge certain securities mentioned in a list, and to deliver Bills and Government paper then on the way from Calcutta and China; it appears on the Board minutes of the Bank of Bombay. Do you know anything about that Government paper?

Witness.—Yes, I think so; I think I remember that we were getting four lakhs from Calcutta, but I think Mr. Morrison did not write any letter about that first loan; it must have been arranged at a personal interview, as I am not quite so clear as to what he would give as security. I do not think there is any letter in the Asiatic Bank books. I think the first letter was dated some few days after, when the Commercial Bank had failed, and I think then he wrote to the Bank. I know we did about that time get four lakhs of Government paper from Calcutta. We did not, I think, deposit any Government paper with the Bank of Bombay. I think we sold it, and paid the proceeds into the Bank of Bombay, for we used to pay in all the money we had, and draw it out as we required it.

President.—Have you any doubt that this list is a correct copy of the original list which was signed by you?

Witness.—I think this is probably quite correct. (A 127.)

President.—What is meant by "memo. of shares "standing in the name of Sorabjee Jamsetjee in the hands of the Bank of Bombay;" what shares are those?

Answer.—I can hardly recollect; they may have been Apollo Press Company's shares.

President.—No, they are mentioned below.

Witness.—I think that the shares that we held against Sorabjee's loan were 75 Mofussil Press and Ginning Company's shares.

[*President reading*—"Sixteen Colaba Press shares "with the power of Attorney in our favour."]

Question.—Can you state when those were withdrawn and realized?

Answer.—I do not think they would be withdrawn at all; perhaps temporarily that we might draw the dividends under the power, and then sent back; and in the case of the Apollo Press a number of them were sold by us, and we wrote to the Bank of Bombay to say that we had sold them. I think one hundred and two of these shares came into the possession of the Bank of Bombay; they were partly Cursetjee's and partly Sorabjee's. I think it very likely that the 75 Mofussil Press and Ginning Company's shares were never realised by the Bank of Bombay. I think there was a call due upon them, and we thought it desirable not to pay the call, as probably the shares were not of the value of the amount of the call. I know several shares became worthless in that way at that time.

President.—Then it is in your recollection that the Mofussil Press and Ginning Company shares were withdrawn on account of some call?

Answer.—No, I do not say that; I do not remember their being withdrawn, but they were not of much value at the time.

President.—Then we have the Bombay and Bengal Steam Ship Company's shares.

Witness.—I think they were much in the same position; I do not know for certain if that Company made another call, but I know many of the shares were forfeited at the time; if they have not been realised, that is the case. I have no information except from the letter book which I have brought over. Here is one letter of the 13th of August which refers to Apollo Press Company's shares, with respect to which we wrote to the Bank of Bombay to say that we had sold five, and asking for certificates. We may have sold twenty-two of them. That was only one day's sale. I expect one share was sold on the 3rd of July 1866, and ten shares were sold on the 14th of July 1866; four on the 16th of July, and one share on the 21st of July 1866. The account current with the Bank of Bombay does not give particulars of the payments.

President.—You gave additional security to get the loan extended; an additional security of ten lakhs advised by telegram from London; I suppose that is represented by the sum entered in the account on the 11th of June 1866 to the credit of the Asiatic Bank, Rs. 10,59,000?

Answer.—Yes.

President.—You also offered a lien on all remittances coming from England, China, and other branches of the Bank; did you give any such lien?

Witness.—I think we gave an assignment which will be found in one of Mr. Morrison's letters.

President.—What remittances did you expect at that time?

Answer.—Remittances from China, Calcutta, and England, and I think we were expecting funds from London, on account of the Calcutta Branch, whose account was overdrawn at the time.

President.—But cannot you give us any particular item, for the expression is very vague?

Witness.—No, I do not think I can, it is very vague; we could not tell what sort of remittances were coming; probably Mr. Morrison had written to London and the Branches for funds, as we were so pressed for money. We were disappointed of getting funds from China, for the Manager there instead of remitting funds to Bombay, remitted six or eight lakhs on the Commercial Bank in London, but these unfortunately arrived too late, for the Commercial Bank had stopped before the bills reached London.

President.—On the 3rd of July three lakhs more were granted to be repaid on the arrival of the China Mail.

Witness.—The Calcutta Agent received the expected remittance from China, but the China Agent instead of remitting Indian drafts, sent English bills on several houses and Banks, and when those bills reached Calcutta the state of things was so bad, that the Calcutta Agent could not sell them. Perhaps I had better not mention the names of the houses or the bills, for many of them, though not in very good credit then, are all right now. Bills for £53,000 were received in July, by the Calcutta Agent from China. Of the bills included in that credit he was only able to sell £11,000; the rest he put down as quite unsaleable. That sum of £11,000 was placed at our disposal, and we drew for some of it, and gave the draft to the Bank of Bombay. That was about the 10th or 13th of July. It is impossible for me to point out the payment from these mere figures in the account. There were various large sums paid in about that time, for instance on the 12th there is Rs. 1,16,000 and on the 13th Rs. 3,40,000. I think that the amount which we gave the Bank, was included in that payment of the 13th July.

President.—The Asiatic Bank undertook to hand over five and a half lakhs to the Bank of Bombay; and assuming what you say to be correct only Rs. 1,10,000 were paid in fulfilment of that agreement.

Witness.—When the bills were sent to us, we managed to sell Rs. 15,000 more, and the proceeds of those bills were paid in at about the same date, or a day or two afterwards. When the Agent at Calcutta found he could not sell the other bills he sent them to us to do as we liked with them, and we tried to sell them, but could only dispose of that amount.

President.—How much do you say of the five and a half lakhs eventually came into the hands of the Bank of Bombay?

Answer.—About £26,000.

President.—What became of the rest of the bills?

Answer.—They were sent to London.

President.—On behalf of the Bank of Bombay?

Answer.—No.

President.—Then it is quite clear that the Asiatic Bank did not fulfil its engagement.

4 Sept. 1868.

Mr. R. H. Baker.

Witness.—We gave them remittances, they would not have taken bills on England, they were not at liberty to transact business of that nature, they might have forwarded them for collection to some other Bank, but I think it was not done. Perhaps Mr. Morrison explained the circumstances to them how the remittances came forward, for he was in daily communication with the Bank of Bombay.

President.—You also promised to give a lien on funds coming from Calcutta, two lakhs, and on Java Guilders three lakhs; were those ever handed over to the Bank of Bombay?

Witness.—I cannot give any explanation about that. Java Guilders used to come to the Agent at Calcutta, and it is possible that the Manager at Singapore, where the Java Guilders came from, might have led Mr. Morrison to expect a remittance of them to Calcutta, but I cannot find any trace of that.

I cannot find any trace of Java Guilders having come to the Bank of Bombay.

President.—Then we have "a lien on funds now on their way from Calcutta," that was the sum mentioned in the cipher telegram, was it not?

Witness.—There was one telegram the cipher of which we read wrongly; the words meant £70,000, and the Agent there used it as meaning only 70,000 dollars, but we read it as Rs. 70,000 worth of dollars, that would be less than two lakhs, about Rs. 1,60,000.

President.—Did that sum ever come into the hands of the Bank of Bombay?

Witness.—I cannot say, I have never been able to trace it.

President.—The bill on B. H. Cama, Sons, and Co. for Rs. 50,000 fell due on the 28th of July, was that realised by the Bank?

Witness.—No, they failed just before the bill was due; they went under private trust, and it was never realised. I do not know whether a dividend has been paid on that estate; they had plenty of property, a house at Malabar Hill and one or two shops.

President.—With respect to a lien on remittances from the Head Office and all the Branches, did you give that, do you remember?

Witness.—I cannot say, if it is mentioned in Mr. Morrison's letter, he may have done so.

President.—Did the trustees of B. H. Cama's estate give a lien on the remittances expected by them from China?

Witness.—There were hardly sufficient funds to the credit of the Trustees' account to pay every one, and they expected these remittances from China to have arrived sooner than they did. The dividend had been declared when they arrived.

President.—I believe the Bank of Bombay did not lose anything by that.

Witness.—I believe not.

President.—On the 23rd of August additional securities were given, the first was, "cash on Mail day, the 23rd." Does that mean the 23rd of the following September, or that very day?

Witness.—I think that very day. We had sold bills on London, but could not get paid for them till that Mail day.

President.—There was a sum of Rs. 1,85,347 paid on that day; was that the sum?

Witness.—I cannot say, I should think it must have been. We had credit on the London and Joint Stock Bank, and it was the custom to pay for bills on the Mail day, and that sum I expect is the product of the bills which we sold. It does not come up to two lakhs. I suppose we did not sell much; and we lost so much upon the exchange.

President.—The next item is "proceeds of Government paper, &c., Rs. 1,50,000," what explanation have you to give of that item?

Witness.—I cannot give you much explanation about that, there was a balance paid to the credit of the Bank of Bombay at the time, but the fact was overlooked that Mr. Steel had some liabilities to meet in Calcutta, and so he had to use part of the funds for his own liabilities.

President.—That was a very loose way of doing business. Mr. Morrison ought to have ascertained that he had the power to make over those funds, and that Mr. Steel had no claims on them. It was treating the Bank of Bombay very unfairly, and I think Mr. Morrison should have known better.

Witness.—Mr. Steel will be able to tell you, and as he was Agent at Calcutta he will be able to explain about the five and a half lakhs.

President.—There is another very doubtful security —"first lien on twenty-five lakhs of capital."

Witness.—That was mentioned in the letter submitted for the approval of the Directors.

President.—I should doubt the power of any Director to give such a security as that.

Witness.—It was never done. In the letter it was stated distinctly that it was subject to the approval of the Directors in London; and when Mr. Morrison wrote to the Directors they repudiated the thing entirely.

President.—Can you explain how the claim on Muggonbhoy Huttising for two lakhs came into the possession of the Bank of Bombay?

Witness.—I think the only two creditors of Muggonbhoy were the Bank of Bombay and the Asiatic Bank, and there was some arrangement by which Mr. Morrison handed over all the securities he had to the Bank of Bombay, and he undertook to realise them and hand over the proceeds.

President.—What was your understanding of this transaction? Did you consider it a cash credit granted to the Asiatic Bank?

Witness.—I think it was called so at the beginning. As a cash credit it ought to have stopped as soon as the twenty lakhs had been drawn, and as the securities against it were realised the cash credit ought to have been reduced. I do not think it was ever drawn up to twenty lakhs.

The account was not always drawn upon up to twenty lakhs. I think when the different arrangements were made, that our debt was not so heavy, for instance, on July 14th our debt was Rs. 5,85,000; other securities were deposited and the account went on.

President.—The real working of that system is this—Credit was granted to the Asiatic Bank, and at first good securities were deposited, these securities are sold, and yet the Bank of Bombay remained involved, the Asiatic Bank owing them large balances, and then the Bank of Bombay had to put up with inferior securities, or put their large balances in peril?

Witness.—I think that every time a fresh arrangement was made they might have pulled us up, and the security would have almost, if not entirely covered the liability. I never heard what relations there were between Mr. Robertson and Mr. Morrison, or whether they were on friendly terms and carrying on joint speculations.

4th September 1868.

4 Sept. 1868.

Mr. Vittul Narayen.

VITTUL NARAYEN, affirmed.

I was formerly a Clerk in the Bank of Bombay, in charge of the fixed loan department. I was in that department about eight or nine years. I left the Bank of Bombay in 1864, to take another situation in the Alliance Bank. All applications for fixed loans up to the 1st August 1863 were entered in the Application Book, so were all applications for fixed loans after that date. I refer to loans on Government

4 Sept. 1868.

Mr. Vittul Narayen.

securities, railway stock, or bullion ; loans on deposit of shares, or on mere promissory notes were not granted in my time. Only two loans were granted on personal security in my time. I entered them in the Application Book. [After examining the Book.] I can show you loans granted on personal security entered in the Loan Register. [Turns to the Loan Register.] I find here an entry of the first loan on personal security, loan granted to Messrs. Nicol and Co., of four lakhs, on the 22nd of July 1864. I find a second entry of a loan to them in August 1864. I turn to the Application Book ; the loan of four lakhs is entered in it, and has been struck out ; the entry is cancelled, and almost illegible. There is no entry of the second loan in the Application Book. Mr. Blair gave me an order at that time that loans granted on personal security were not to be entered in the Application Book. There was a separate account kept of them in the Loan Register. [Points out the separate account in the Register.] I find loans to Cursondass Madhowdass, Mayabhoy Hemabhoy, and Muggonbhoy Huttising entered in the Loan Register, but not in the Application Book ; they were entered by me in the Loan Register. I was succeeded in the Department by a Portuguese Clerk. I do not know his name.

4 Sept. 1868.

Mr. W. Steel.

4th September 1868.

WILLIAM STEEL, *recalled.*

I was the Agent of the Asiatic Bank at Calcutta in the year 1866. I remember expecting to receive about five lakhs (not five and a half lakhs) from China, about the 3rd of July 1866. I received the remittance, but in the shape of bills on London for £53,000, which were unsaleable at the time. I sold some of them. I sold bills for £33,000 out of the £53,000, and with the proceeds met drafts drawn on the Calcutta Branch by the Hong Kong Branch. I sent the remaining bills for £24,800 to Bombay.

President.—Mr. Baker has said that you realized £11,000 and sent the rest of the bills forward.

Witness.—They realized about £15,000, and sent the rest home. If the remittances had come in the form in which I ordered them, the Bank of Bombay Agent would have had the whole, but they came in a form which was unavailable. I had other drafts to meet. I cannot give any information about the two other sums which were assigned to the Bank of Bombay by the Asiatic Bank, on the 13th of July 1866, a sum of two lakhs then on its way from Calcutta, and Java Guilders three lakhs. On the 14th of July I authorized the Bombay Agent to draw on me for one and a half lakhs, which he did. We often had Java Guilders, but I see nothing in the telegrams or letters to lead me to suppose that there were Java Guilders ordered by Mr. Morrison which were not sent.

I am aware that on the 23rd of August the Asiatic Bank agreed to pay to the Bank of Bombay the proceeds of Government paper and Bank of Bengal shares sent to Calcutta for sale. I had Government paper, but it was all pledged ; there was a margin on it of Rs. 75,000, which I may have placed at Mr. Morrison's disposal, and which I dare say I did. I am not sure ; I cannot discover anything to lead me to suppose I did. I sold a number of Bank of Bengal shares at that time, the proceeds went to the Port Canning Company, who were very pressing. I should think that the Bank of Bombay had taken an assignment of those funds without being quite sure that we could give them. I can explain Mr. Morrison's statement that he had been misled by a telegram received from Calcutta in cipher as to funds which he expected, it was owing to our code of signals. There was no word in it to represent dollars, and I used the one for pounds instead, and advised £70,000 as coming by the French steamer. In this instance there should have been no mistake, as I told him in the last part of the telegram that he might draw for one and a half lakhs ; even if he had been misled, the last part of it ought to have corrected him ; he was only authorized to draw one and a half lakhs. I had used the same word on former occasions. I do not think that it had ever been misunderstood before.

To Major Innes.—I used in the telegram the word representing pounds sterling.

After the next witness had been examined, Mr. Steel returned, and said that he had ascertained that he was incorrect in stating that he had sold bills remitted from China to the extent of £33,000, and that he ought to have said £29,000.

4 Sept. 1868.

Mr. C. de Cunha.

4th September 1868.

CLEMENT DE CUNHA, sworn.

I am employed as a Clerk in the New Bank of Bombay, Limited. I was employed in the Bank of Bombay in the years 1864 and 1865. I was in charge of the Ledger of Fixed Loans. I took charge of that Department at the end of 1864, when Vittul Narayen left the Bank. I was not accustomed to enter the applications for advances upon personal security in the Application Book. Loans on personal security were managed upstairs by the Secretary and Treasurer, or by the Deputy Treasurer ; I never entered them in the Application Book. I entered loans on Government securities, railway stock, and bullion in the Application Book. When I succeeded Vittul Narayen I found it the practice not to enter loans on personal security in the Application Book, and I pursued the course that had been adopted before.

To Mr. Melvill.—Mr. Blair did not give me any orders about it. I went on just as I found the book. I entered some transactions on personal security in the Register of Loans.

To the President.—I knew that it was the practice to carry on this sort of business upstairs, the Secretary used to send a memorandum to the Accountant and he used to send it to me ; when he gave me the memorandum, I used to prepare the bond and promissory note for the party to sign, and I also entered it in the Register of Loans. I did not enter it in the Application Book, because it was not the practice to do so.

To Mr. Melvill.—Some borrowers signed both a bond and a promissory note.

9 Sept. 1868.

Mr. Bomanjee Cursetjee Cama.

9th September 1868.

BOMANJEE CURSETJEE CAMA, appears and states as follows :—

I want to make a correction of the statement which I made in my examination on the 24th of July. It is with reference to the loan of two lakhs obtained in 1863. I was asked what was done with the money by Pestonjee Cursetjee Shroff, and I said I did not know, but I now find, from inquiries which I have since made, that that money was appropriated to my own use, but that loan was repaid by Pestonjee Cursetjee Shroff with interest. I do not think that this loan was mixed up with any other. I have not been able to ascertain anything more regarding the letter which you showed me.

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BOMBAY BANK COMMISSION.

REPORT

OF

THE COMMISSIONERS

APPOINTED TO INQUIRE

INTO THE

FAILURE OF THE BANK OF BOMBAY.

CALCUTTA:
OFFICE OF SUPERINTENDENT OF GOVERNMENT PRINTING,
1869.

REPORT.

TO THE RIGHT HONOURABLE THE VICEROY AND GOVERNOR GENERAL OF INDIA IN COUNCIL.

Whereas by Act No. XVII of 1868, passed by the Governor General of India in Council on the 20th day of May 1868, reciting that the Bank of Bombay was then unable to pay its debts, and was being wound up voluntarily, pursuant to a special resolution to that effect passed by the shareholders in general meeting, and that the Secretary of State for India had directed that an inquiry should be made into the causes and circumstances of such inability and winding-up, it was enacted, that the Governor General of India in Council might issue a Commission, to such persons as he thought fit, for the purpose of inquiring into and reporting on the causes and circumstances aforesaid;

We, the Commissioners appointed by the Governor General in Council, in pursuance of the said Act, humbly present to your Excellency the following Report.

The old Bank of Bombay, established under Act III of 1840, was a prosperous institution. With a small capital of 52 lacs, and a power to issue notes to the amount of two crores of rupees, its business was so conducted that it paid good dividends to the shareholders, and never, it is said, incurred greater losses in the aggregate than 25,000 rupees.

The old bank was mainly indebted for this prosperity to the provisions of Act III of 1840, which restricted its business within safe limits, and permitted no advances except on good security. The nature of these restrictions and securities will be detailed hereafter, when we compare the provisions of this Act with those of Act X of 1863.

Another element of prosperity was undoubtedly the power to issue so large an amount of notes; but in 1860 the Government of India determined to deprive the bank of this power, and to establish a paper currency of its own. As a compensation for the loss the bank would incur from this change, the Government at first proposed to entrust the management of the General Treasuries, Pay Office, and Currency Department, with their respective cash balances, to the bank; but this proposal was subsequently modified, the Government having resolved to keep the Currency Department in their own hands, and to transfer only the Treasuries and Pay Office, with their balances, to the bank.

A new Act being considered desirable in consequence of the new arrangements, on the 20th June 1861, the Board of Directors instructed the solicitors of the bank to prepare an Act, "assimilating it as closely as possible to that of the Bank of Bengal," and providing for an increase of the capital to 2,10,00,000 rupees. A new Act was accordingly prepared by the solicitors, who adopted the expedient of drafting some of the proposed alterations in an interleaved copy of Act III of 1840. This copy was then sent to the Government, by whom it was laid before the acting Advocate-General, Mr. Westropp, who pointed out several omissions, and objected to the form of the draft, as one that could not properly be laid before the Government of India. In consequence of this opinion, on the 25th September 1861, the

Act X. of 1863.

Act X. of 1863. interleaved copy was returned to the bank, and Mr. Green, a barrister, received instructions to prepare the Act.

As much controversy has arisen as to the person responsible for the introduction of the words "other public companies in India" into clause 32 of the Act, we have traced these words through the various drafts, and have examined witnesses on the subject, and we find that Mr. Green's first draft contained those words, in connection with others, as follows:—

"1*st*.—The advancing and lending money on Government securities, or on the security of shares in such of the incorporated Indian Railway or other public companies in India, *as hold a guarantee from the Government with regard to the payment of dividends or interest; provided that in the case of shares in such railway or other public companies, no such loan shall in any case exceed in amount three-fourths of the paid-up value of the shares, on the security of which such loan is made;* and such Government securities and shares shall be endorsed or transferred to the said bank absolutely or by way of mortgage."

On the 24th October 1861, the board appointed two of their members, Messrs. M. H. Scott and G. Foggo, a committee for the preparation of the Act, and Mr. Green's draft was accordingly perused and considered by them, in consultation with their solicitor Mr. Kelly. The several provisions were discussed seriatim, and several alterations were made, one of them being the erasure of the words set out in italics in the foregoing extract from Mr. Green's draft.

The draft Act, thus amended, was then returned to Mr. Green for final settlement, when he also made several alterations, and struck out the words which are underlined in the foregoing extract from his original draft.

The erasure of the words in italics was unwise, and productive of unfortunate results, but it was made in the year 1861, before the bubble companies of a subsequent period were thought of, and without any view to the speculations which followed. For a long time after the passing of the Act, the board refused to avail themselves of this power to advance on shares.

On the 28th November 1861, the directors called a special general meeting of the shareholders, for the purpose of obtaining their sanction to the re-incorporation of the bank, and the usual advertisements having been issued, and notice given, the meeting was held on the 20th December 1861, when it was resolved—

"That the directors be authorized to take such steps for varying, altering, or annulling, all, or any, of the provisions of the Acts under which the bank is at present constituted, and for obtaining the re-incorporation of the bank, as to them may seem expedient for securing the efficient working of the bank."

The draft Act was afterwards forwarded to Government, and was laid before Mr. Westropp, who expressed no opinion on the policy of the measure, which he understood the Government to have sanctioned, and therefore restricted his observations on the draft Act to practical suggestions and technical questions, now unnecessary to dwell upon.

On the 19th March 1862, the draft Act was forwarded to the Government of India, who returned it to the Bombay Government with some suggestions (now immaterial to consider), and an intimation that the Act should be passed by the Bombay Council.

This was an unfortunate resolution, inasmuch as the Legislature of India was better constituted than that of Bombay for the discussion of such an important measure, having a finance and law member to assist in its deliberations. The Council of India had just passed an Act for the regulation of the Bank of Bengal, and would therefore have required good reasons before they granted to the Bank of Bombay powers which the other bank had not, and would probably have declined to add anything to the provisions of the Bengal Act. The proceedings of the Governor General's Council are, moreover, attend-

ed with greater publicity than those of a local council, inasmuch as Acts during their passage through the former council are published in the gazettes of all the Presidencies, and it is scarcely possible to suppose that this Act could have been so published in Madras and Calcutta, without attracting much criticism on its exceptional provision as to advances on shares. Act X. of 1863.

On the 12th May 1862, the Government of Bombay sent a copy of the proposed Act to the Secretary of State, with an intimation that they intended to legislate on the subject at the next sessions of the Legislative Council in July.

This letter was never directly answered by the Secretary of State; but he forwarded to the Bombay Government a copy of a despatch which he had written to the Governor General on the 16th September 1862, in which he observed that it was unnecessary for him to give precise directions as regarded Madras and Bombay, as the same reasoning and the same principles applied to their proceedings as to Bengal. This despatch of the Secretary of State chiefly referred to currency matters, but it objected to the Government banks dealing in foreign exchanges; and in the 53rd paragraph the Secretary of State observed, that "any bank to which the balances and treasury business of the "Government are to be entrusted, must be restricted to legitimate banking "operations, such as those transacted by the Bank of England *or by the Bank "of Bengal, as heretofore constituted*"; and in the 67th paragraph he wrote, "I do not quite understand in what state the arrangements are at Madras and "Bombay, but Her Majesty's Government is desirous that the same course "should be adopted for those Presidencies, as has been pointed out for Bengal."

There is some ambiguity in the expression, "as heretofore constituted," but we assume that the Secretary of State did not refer to the old Bengal Bank as constituted under Act VI. of 1839, but must have intended to indicate the Act IV. of 1862, which received the Governor General's assent on the 28th February of that year, and had been sanctioned by himself. This construction is supported by the 67th paragraph of the letter, which must refer to the recent arrangements with the Bank of Bengal.

A copy of this despatch was sent to Mr. Bickersteth, the Government solicitor, with directions to revise the draft Act in accordance with Sir Charles Wood's instructions. Mr. Bickersteth accordingly made several alterations in the draft Act, which he forwarded to Government, with an opinion, part of which is as follows:—

"(6.) In other respects I have not altered the provisions of the Bill, and do not express any opinion as to its propriety or otherwise. * * * * * * * * * * * * * *

"(8.) Upon a comparison of the powers intended to be conferred upon the bank with its existing powers and those of the Bank of Bengal as heretofore constituted, it will be observed that they are considerably extended, and in some respects exceed those now conferred upon the Bank of Bengal by Act IV. of 1862.

"(9.) The Secretary of State, in the 53rd paragraph of the despatch, desires that the business of the bank 'be restricted to legitimate banking operations, such as those transacted by the Bank of England, or by the Bank of Bengal as heretofore constituted.'

"(10.) So far as I am aware, the powers intended to be conferred by the Bill, though more extended in some respects than those of the Bank of Bengal as heretofore, or at present constituted, do not exceed those of the Bank of England; but my knowledge on this subject is very limited."

On the receipt of this cautious opinion, Mr. A. D. Robertson, the Secretary to Government, instead of instituting a comparison between the business allowed to be transacted by the Bank of Bengal Act and that allowed by the draft Act,—a comparison which would assuredly have called his attention to the words "other public companies in India,"—wrote a letter to the directors, calling their attention to the "verbosity" of the Act as compared with the Bank of Bengal Act, and suggesting that the wording, as well as the order of the provisions of the latter, should be adhered to as far as possible.

Act X. of 1863.

The directors referred the matter to their solicitors, who gave an opinion from which the following is an extract:—

"The advantage of following the existing forms is, that if any question should hereafter arise upon the construction of any clause of the charter, you would possibly have the advantage of some decision in the English courts. We therefore determined that the draft should follow to a great extent the phraseology of the English Joint Stock Companies' Act, but the order of the clauses is almost the same as in the existing charter."

We can find no justification for this statement, that the phraseology of the English Joint Stock Companies' Act was followed. Acomparison of all the English Acts with the draft shows that the statement is without a shadow of foundation, the Acts being entirely dissimilar. Mr. Kelly, the partner of the firm who attended to the bank's business at that time, is now dead, and we should have been glad, if possible, to pass over this statement without comment; but this is only one of many instances of the reckless manner in which the legal business of the bank was done, and no narrative of the bank's failure would be complete or fair to others, unless it stated the advice given by Mr. Kelly, and shewed how little reliance could be placed on it. Audacious as the statement was, it was believed in by every one, from the directors of the bank up to the Governor General in Council, and was adopted as an explanation of the manner in which the words, "other public companies in India," came to be inserted in the Act.

Blue Book, p. 105.

On the 10th December 1862, the directors wrote to the Government of Bombay, enclosing the opinion of their solicitors, and declining to remodel the draft, and then, after another reference to the Advocate-General, Mr. Lewis, who saw no reason why the wording of the Bengal Act should be preferred to that of the Bombay Bill, the draft was by order of the Governor in Council transferred to the Legislative Department.

The Legislative Council of Bombay consisted at that time of twelve members. Six of them were members or officials of the Government; three others, Messrs. Scott, Tristram, and Rustomjee Jamsetjee Jejeebhoy, were partners in mercantile houses in Bombay; and the remaining members were native gentlemen.

The carriage of the Act through the Legislative Council was entrusted to the Chief Secretary to Government, Mr. A. D. Robertson, who was also a Government director of the bank. The board requested Mr. M. H. Scott to watch over the interests of the bank, during the passage of the bill through the Council.

On the 4th February 1863, Mr. A. D. Robertson moved the first reading of the bill, in a speech which is remarkable for its omissions. He did not call attention to the difference between the draft Act and the Act for the Bank of Bengal, and it is clear that he was not aware of it. He mentioned the power given to increase the capital and to grant cash credits, and referred to several unimportant alterations, but he omitted to call attention to more important changes, which we shall presently consider, and which effected a complete revolution in the practice of the bank.

Only one member of Council, Mr. Tristram, who was also a commercial director of the bank, spoke on the bill, which was then read a first time.

The bill was then referred to a committee of the Council, consisting of the Advocate-General (Mr. Lewis), Mr. A. D. Robertson, and Mr. Tristram. The committee made several amendments, the most important being the omission of Schedule B., which contained the proposed bye-laws for the bank, and the insertion of a clause enabling the directors to pass bye-laws with the sanction of the Governor in Council.

These amendments were made on the reasonable ground, that the bye-laws might often require alteration, and that frequent applications to the Legislature would be inconvenient; and, although the removal of this Schedule from

the Act was attended with unfortunate results, the Council are not to blame, as they could not have foreseen that the directors would dispense with byelaws altogether. Act X of 1863.

On the 24th March 1863, the Legislative Council again proceeded with the Act, when an amendment by Mr. Tristam relating to the remuneration of the directors having been put and carried, the bill was read a second time, and passed without further discussion.

The Act was then forwarded to the Governor General for his approval, and received his assent on the 4th July 1863, and was, on the 1st August following, published by the Governor of Bombay, as the Bombay Act X of 1863.

The Act was also forwarded to the Secretary of State, Sir Charles Wood, who had, in the summer of 1862, received a copy of the draft Act in its then state. That draft was evidently considered in the India Office. It was first given to Mr. Hobart, the Assistant Secretary in the Financial Department, to compare with the Bengal Bank Act, and that gentleman appears to have detected the difference between the two Acts, for he wrote in the margin against clause 1, section 32, "Bengal guaranteed," meaning thereby, that the Bengal Bank Act only allowed advances on shares, the interest of which was guaranteed by Government; but this note was not so full as it might have been, and apparently did not attract attention. Sir Charles Wood must also have read this section, for there is a pencil note in his handwriting in the margin opposite clause 7; but, nevertheless, on the 24th December 1863, he wrote to the Governor General, that the Act had been considered by him in Council, and would be left to its operation.

Having narrated the facts relating to the preparation of Act X of 1863, and its passage through the Legislative Council, we will now contrast the provisions of that Act with the old one, No. III of 1840, and show the important alterations effected by the new Act.

First.—The old Act prohibited the discount of negociable se
two persons or firms unconnected in partnership were
security.

The new Act allowed the discount of any neg
quently, the discount of a promissory note sign
mitted.

Second.—The old Act prohibited any
certificate of shares.

The new Act allowed advances to be m
public companies in India; it did not require th
should be paid up, or prohibit advances on the

Third.—The old Act prohibited all advanc
of Government paper, bullion, or imper
or partnership for a larger amount than
period than three months.

The new Act contained no such restrictions.

Fourth.—The old Act allowed advances to be
perishable nature only.

The new Act allowed advances on all goods, wares

Fifth.—The old Act prohibited the overdrawing of

Schedule B of the new Act contained a similar pr
struck out, and the subject was left to be provided for by

Sixth.—The old Act prohibited any discount or loan
possession of the bank, and immediately av

Act X. of 1863. one-fourth of all the claims outstanding against the bank at the time, and payable on demand.

The new Act contained no such clause. The power of issuing notes being withdrawn, this provision was probably thought unnecessary.

Seventh.—The old Act provided that the Governor General might, by order duly published, &c., authorize an increase of the capital, which then amounted to 52 lacs.

The new Act empowered the proprietors at a special general meeting to increase the capital, such increase not to exceed 2 crores and 10 lacs.

It may be that the old Act was unnecessarily restrictive, but that did not justify the removal of all restrictions, and the relaxations introduced by the first, second, and third alterations were most unwise. Their importance did not attract the attention of the Government or the Legislature, and they were therefore made without consideration or discussion. They opened the door, as we shall presently show, to great laxity of practice, and a ruinous system of banking, and were in fact the chief cause of the bank's failure. The second alteration was made, moreover, in total forgetfulness or disregard of Sir Charles Wood's direction, that the bank should be restricted to legitimate banking operations, such as were transacted by the Bank of Bengal.

The Legislative Council of Bombay was chiefly to blame for this enactment, which was their Act; but it is fair to add, that for all the material alterations, except that which permitted advances on shares, they could adduce the precedent of the Bengal Act, passed by the Legislative Council of India.

But the directors of the Bank of Bombay, who are responsible for the framing of the measure, and the Government of Bombay, who disregarded the directions of the Secretary of State, cannot be acquitted of blame, and the latter Government and the Government of India, as well as the Secretary of State himself, are all open to the remark, that they either failed to detect, or expose, the dangers with which the Act was pregnant.

Act X of 1863 opened out a new field for business, the board of the first period of the bank's history (from the 1st August June 1864), neglected to provide for its safe development. told us that they thought the business of the bank during just as it had been before the Act passed, all advances securities, guaranteed railway shares, or bullion; have thought that they sufficiently provided for by passing the resolution regarding shares, to

ce at the board of several members of the Leave known the reason why schedule B. was l in the Act, the directors neglected to prepare was allowed to commence its disastrous career, s practice, or to define the duties or powers of tary.

, the directors passed the following resolution:

and until further orders, any applications for advances on any other than Government banks, be submitted to the board, and not

ion embodies the only permanent restriction the direcpowers of the secretary, from the time the Act was ugust 1863) till the 4th May 1865.

iews of the directors may have been, the secretary, Mr. ecretary, Mr. Ryland, determined from the first to avail wers which the new Act conferred.

First Period, 1st August 1863 to 1st June 1864.

On the 9th September 1863, Mr. Ryland sent the new Act to all the agents at the branches, with a circular directing them to peruse the Act carefully, "in order" (to use his own words) "that you may take advantage of the "removal of sundry restrictions contained more especially in sectian 27 of the "old charter."

Mr. Ryland, during a short absence of Mr. Blair, in September 1863, at Poona, endeavoured to induce the directors to reverse their resolution of the 6th August, and permit the secretary "at his discretion" to advance "to "persons of undoubted respectability" on the security of promissory notes, and the deposit of railway and other shares; but the directors, after much discussion and considerable difference of opinion, remained firm, and by their resolution of the 17th September permitted the secretary to advance on guaranteed railway shares alone.

Though restricted as to advances on shares, Mr. Blair found scope enough in the other wide provisions of the Act for much unsafe banking, and he appears to have immediately effected a radical change in the practice of the bank as to cash credits. Instead of insisting on the old practice, which required Government paper, guaranteed railway shares, or bullion to be deposited as security for cash credits, Mr. Blair commenced in August 1863 to grant such advances on personal security only, that is, on a promissory note signed by one borrower or by joint borrowers, and without requiring sureties, or taking any additional security. The first of these cash credits was for a lac of rupees, granted on the 11th of August, to Roychund Deepchund, the broker of the bank, and the father of Premchund Roychund, and it was granted on the suggestion of Premchund, who says that Mr. Blair postponed giving it until he had consulted the directors.

The President, Mr. Birch, and all the surviving directors (except Cowasjee Jehangeer*) deny any knowledge of such cash credits. Mr. Blair, whose evidence was far from satisfactory, did not recollect Premchund's suggestion, and at first denied that any such cash credits were ever granted, and when at last compelled to admit that they had been, he said that he must have acted on the authority of some of the directors. We think it probable that he did consult Cowasjee Jehangeer, who was certainly aware, as early as September 1863, of the practice of advancing money on one name; but even if this were so, it does not excuse Mr. Blair's concealment of such an important change from the other directors.

There can be no doubt as to such concealment. All cash credits should have been entered in the application book, which was laid before the directors at the board meetings, and these cash credits on personal security were alone omitted from that book. When they were omitted, another small informal account, or rather memorandum book, was opened by Mr. De Ga, the ledger-keeper, headed "Cash Credits granted on Personal Security," but this book was merely for the use of the ledger-keeper and the deputy secretary, and was never laid before the directors. Mr. De Ga says that Mr. Blair told him not to enter these cash credits in the application book; and although Mr. Blair denies this, he admits they ought to have been entered in it, and he is unable to account for their omission. It is difficult to suppose that Mr. De Ga would depart from the usual practice, and omit these cash credits, without orders; he had nothing to do with granting them, and had therefore nothing to conceal. His statement is, moreover, confirmed by the evidence of Vittul Narayen, the clerk in charge of the loan department, who says that he received a similar order from Mr. Blair. Mr. Blair, on the other hand, could scarcely have been ignorant of omissions constantly recurring in the application book, or of the opening of the new book. He

* The Commission, acting under medical advice, did not examine Cowasjee Jehangeer.

First Period, 1st August 1863 to 1st June 1864.

failed to show us that the directors were aware of his acts, or that he had nothing to conceal; and the order is consistent with the evidence given by the directors of their ignorance as to these cash credits, and was in fact the best means that could have been taken to secure such ignorance. It is true, as suggested by Mr. Donald Robertson, that the directors might have looked at the cash credit ledgers; but it is obvious that, in the absence of any suspicion that their secretary was tampering with the books, they would be unlikely to refer to ledgers which were in constant use in the bank.

Mr. Blair also began, immediately after the passing of the Act, to discount promissory notes signed by a single borrower without taking additional security. Some care must have been taken with this new class of business at first, for, notwithstanding the number of these discounts during this first period of the bank's history, they resulted in only one loss, and this loss may not unfairly be attributed to subsequent imprudent advances made to the same person. But, whether prudently conducted or not, this new practice introduced a great change in the character of the business done, and greatly contributed to the ruin of the bank.

All the directors whose attention has been called to this point (except Mr. Mangles) assert their ignorance of this practice. Mr. Mangles says that he found it out for the first time in May 1864, when a Mr. Bevis told him he had borrowed money from the bank in this manner. Mr. Mangles immediately examined the register of bills discounted, and there found an entry of the transaction, which led him to make some inquiries which are best described in his own words. He says, "I wrote a letter to the secretary and asked him "whether he was in the habit of discounting promissory notes only, as it "seemed to me to be a violation of the charter. He wrote back, saying that "it was a hard term to use, but that the board of directors considered that "they could do it under the charter. I then wrote a private note to Mr. A. D. "Robertson, who was then one of the directors, and he said that he thought, "that it could be done under the charter. I then went to Mr. Birch, and "asked him whether he was aware of it, and he said that he was; and I asked "under what clause of the charter it could be done. He said, as a cash "credit. I said that I did not agree with him. I then wrote to Mr. "Lidderdale, and asked him whether, as a mercantile man, he could conscientiously "ly sanction that kind of cash credit. He wrote back, and said, No, certainly "not, but that it was the custom of the bank to discount bills of that sort."

Mr. Birch does not recollect this transaction. Mr. Robertson, from his evidence, appears to have misunderstood it. Mr. Lidderdale was in India when Mr. Mangles gave his evidence, and we could not recal him; but there is nothing in Mr. Lidderdale's evidence which negatives that of Mr. Mangles. We have no doubt that Mr. Birch and Mr. Lidderdale were aware of this practice though Mr. Birch may have forgotten it now; and we think that Mr. A. D. Robertson would not have misunderstood the matter if he had done his duty and inquired, and that he and the other directors might have known of this practice, if they had been vigilant, and have examined the register of bills discounted.

But Mr. Blair's changes did not stop here. Under the old practice a discount list was kept, showing the amount of credit which might safely be given to the different merchants and traders of Bombay, and this list was revised from time to time by the directors. It is now admitted that no such list was continued after the year 1863.

Mr. Blair also, during this period of the bank's history, gradually discontinued practice, which formerly prevailed, of referring to the weekly commit

of three directors all questions as to the credit to be allowed to applicants for loans. He excuses his conduct in this respect, on the ground that the circulars, which he sent round to the committee, were constantly returned to him without any information, and with a request that he would refer to some native directors, and it was for this reason, Mr. Blair says, that he began about this time to consult only one native director, who was, at first, Cowasjee Jehangeer. First Period, 1st August 1863 to 1st June 1864

The directors during the period of which we have been speaking (1st August 1863 to 1st June 1864) were Mr. Birch, a Government director, President, Messrs. Gavin Steel, R. Mac Ilwraith, J. A. Baumbach, G. Foggo, F. F. Lidderdale, M. H. Scott (since deceased), Limjee Manockjee, Rustumjee Jamsetjee Jejeebhoy, and Cowasjee Jehangeer, commercial directors, and Messrs. A. D. Robertson, G. Inverarity, and H. A. Mangles, Government directors.

Of these directors, Mr. Baumbach retired on the 3rd September 1863, five weeks after the promulgation of the Act, Mr. Inverarity sat at the board for the last time on the 12th November 1863, and Mr. Foggo retired on the 10th December in the same year. Mr. A. D. Robertson resigned in May 1864.

It is fair to all the directors to say that only three accounts opened during this period resulted in loss, and these would probably have been closed without loss, if other advances had not been subsequently added to those of this period.

The conduct of two of the Government directors, Mr. A. D. Robertson and Mr. Inverarity, has been much commented on, and our attention has been pointedly called to their speculations in shares. It is true that they did receive some allotments of shares when they were directors of the bank. In doing so at a time of inordinate speculation, they exposed themselves to great observation, and set a bad example to other Government directors who succeeded them; but there is nothing in the number and value of the allotments they received, when directors, to excite suspicion, and it is clear that the receipt by them of those allotments did not contribute to the failure of the bank, inasmuch as little or no loss is attributable to this period. No receipt of allotments, after they left the bank, could possibly have contributed to its ruin.

But the directors of this period are nevertheless open to great blame.

First and chiefly, because they omitted to pass any byelaws. Mr. A. D. Robertson and Mr. M. H. Scott, as members of the Legislative Council, knew that schedule B had been struck out of the Act, because it was thought better to provide for the subjects therein referred to by byelaws; and it should have been their particular duty to bring the question of byelaws before the board. But it is difficult to understand how any directors could have thought that the business of the bank was being properly or legally carried on without byelaws. Section 14 of the Act provided that the business of the bank was to be carried on by the directors, of whom three were to form a quorum. Section 27 authorized the secretary to endorse and execute transfers, and to draw, accept, and endorse bills, promissory notes, and letters of credit, and to sign other documents on behalf of the bank, and so dispensed with the seal of the bank, or the signature of the directors to such documents, and made the signature of the secretary valid for the purpose of binding the bank; but neither that section, nor any other section of the Act, authorized the secretary to lend any money whatever on his own authority. Now the directors must have known that neither the board nor the weekly committee were managing the bank under section 14; and [illegible]t conferred no powers of management on the secretary, they ou[illegible]e exercised the power given them by section 45 of the Act, to mak[illegible] the good government, and in reference to the mode

First Period 1st August 1863 to 1st June 1864.

of conducting the business of the bank,"—a power which would have enabled them to define the duties of the president, committee, and secretary, and to put the practice of the bank on a satisfactory footing.

But the secretary was even more to blame in this respect than the directors. In the absence of byelaws he was acting without express authority from them, and it should have been his particular business to see that his own powers and duties were clearly defined. The directors had also a right to expect that the secretary would remind them of all business which ought to be transacted, and, if Mr. Blair had only done this, the subject of the byelaws would not have escaped the attention of the board.

Secondly, Messrs. Birch, A. D. Robertson, Lidderdale, and Mangles ought to have instituted a searching inquiry into the practice which Mr. Bevis's case disclosed. Such an inquiry would have resulted in the discovery of many similar transactions, would have shown the great powers exercised by the secretary without consulting any, or if any, only a native director, and would probably have ended in some restraint being placed on the exercise of such powers.

Increase of Capital

During this first period of the bank's history, the shareholders of the bank greatly increased the capital.

On the 27th August 1863, the directors resolved to call a special general meeting of the shareholders, for the purpose of doubling the capital, by the issue of 5,225 new shares of 1,000 rupees each, and, at the meeting so called on the 21st September 1863, this proposition was carried unanimously.

On the 18th February 1864, the directors, acting on the suggestion of Cowasjee Jehangeer, called another special general meeting of the shareholders, for the purpose of procuring their consent to a further increase of the capital; and at the meeting so called, on the 7th March 1864, it was resolved unanimously to increase the capital by the further sum of 52,25,000 rupees, one new share being offered to each proprietor for every two shares he held.

On the 5th May 1864, sixteen shareholders of the bank sent a requisition to the board, requesting them to call another meeting of the shareholders, for the purpose of rescinding the last resolution of the 7th March, and substituting for it another, which would have the effect of doubling the enlarged capital, instead of increasing it by one-half.

The directors complied with this request, and called another special meeting of the shareholders for the 9th June 1864, at which it was resolved that the former resolution should be rescinded, and that one new share for each old share (instead of one for every two, as formerly resolved) should be issued, making the paid-up capital of the bank 2,09,00,000 rupees (2,090,000*l*).

Due notice was given of these special meetings by advertisement, according to section 40 of the Act, which contains no provision requiring any special notice to be given to shareholders not resident in India.

The whole of the shares issued under the foregoing resolutions were taken up by the shareholders, except 47 of the last issue.

Much fault has been found with the directors for these increases of capital; but the first increase was necessary, and can scarcely be called an increase, inasmuch as the 52 lacs and a quarter, then added to the capital, did no more than supply the deficiency occasioned by the bank's loss of their note circulation.

The second increase of the 7th March 1864 was not unwise; the greatly increased trade of the port of Bombay, the opening of several branch banks, and the inadequacy of the bank's capital to meet the wants of the public during a late financial pressure, justified such a measure.

We doubt the propriety of rescinding the resolution of the 7th March 1864, and of increasing the bank's capital by so large a sum as 1,04,50,000

rupees. It would have been better to wait and see the effect of the increase determined on by the resolution of the 7th March 1864, and, if this course had been taken, we doubt whether the last 52 lacs and a quarter would ever have been raised, for the evidence shows that the bank had more money than it could safely invest. First Period, 1st August 1863 to 1st June 1864.

The Government, although aware of these proceedings and consentient, did not vote at the meetings or otherwise interfere in the matter.

We now enter on the most eventful period of the bank's history from the 1st June 1864 to the 30th April 1865. During these eleven months the bank incurred losses from which it never recovered. Second period, 1st June 1864 to 30th April 1865.

The great and sudden wealth produced by the rise in the price of cotton shortly after the commencement of the American War, coupled with the want of legitimate means of investment, was at this time producing its natural result in the development of excessive speculation.

Symptoms of this tendency were not wanting in Bombay during the latter part of 1863 and the beginning of 1864, but it was not till June of the latter year that the great impetus was given to speculation; the Bombay Reclamation (commonly called the Back Bay) Company, and the Financial Association of India and China being brought out at that time. These do not appear to have been bubble companies, and they might have run a successful course in quieter times. They were at once appreciated by the public, and applications for shares poured in upon the promoters from all quarters. The Bombay Government originally intended to take 400 shares in the Back Bay Company, but, in obedience to the orders of the Government of India, they abandoned that intention, and the 400 shares were, on the 6th July 1864, put up to public auction, when they realised the enormous sum of 1,06,00,000 rupees (1,060,000*l.*), only 5,000 rupees (500*l.*) having been paid up on each share, and the average profit being 26,340 rupees (2,634*l.*) per share.

From this period almost every one in Bombay appears to have become wild with the spirit of speculation. During the remainder of 1864 and the beginning of 1865, companies were started for every imaginable purpose, banks and financial associations, land reclamation, trading, cotton cleaning, pressing, and spinning companies, coffee companies, shipping and steamer companies, hotel companies, livery stables and veterinary companies, and companies for making bricks and tiles. The shares of most of these companies were sold at high premia as soon as they were brought into the market, and, to secure these premia, every effort used to be made to obtain from the promoters allotments of the original shares.

This was just the time when a bank should have been extremely cautious as to its advances, and careful not to relax any of the safeguards which the system of the bank provided: but Mr. Blair, encouraged probably by what passed respecting Mr. Bevis's discount, determined to obtain the sanction of the directors to the practice he had carried on clandestinely for months past, of granting cash credits on the security of promissory notes in one name only. Some months before, the question of introducing the Scotch system of cash credits had arisen, and Mr. Hannay (though not then a director) had been consulted by Mr. Blair about it, and a resolution was then drawn up by them, correctly stating the Scotch system of cash credits as requiring a bond signed by the party seeking the accommodation, together with two good names as security.*

* For the original resolution, altered in Mr. Blair's handwriting, vide Exhibit A 48, in Appendix to Minutes of Evidence.

Second Period, 1st June 1864 to 30th April 1865

Mr. Blair brought forward this resolution at the board meeting of the 2nd June 1864, altered in his own handwriting, so that it read as follows :—

"It is respectfully suggested that the number of credit accounts might be greatly increased if the system practised in Scotland was introduced, *viz.*, on a bond for a certain amount being signed by the party requiring the accommodation, *with or without good names as security, according to the credit of the party.*

"At present no person, in however good credit, can have a credit account with the bank unless he can lodge Government paper as security, besides signing a bond which has to be renewed every three months. Whereas, if the above system was adopted, the account might run on from year to year," &c., &c.

This resolution was passed. It contains two statements, both of which Mr. Blair must have known to be untrue. He had consulted Mr. Hannay as to the Scotch system of cash credits, and had learnt from him what it was, and in altering the resolution which he and Mr. Hannay had prepared, he not only stated the Scotch system incorrectly, but must have known that he was doing so. Mr. Blair also knew that it was untrue to say that no person, in however good credit, could get a cash credit from the bank unless he could lodge Government paper, inasmuch as he had for months past dispensed with any such security.

This resolution is also important, inasmuch as it admits the principle of lending money on the security of one name without taking additional security, and puts no restriction on the power of the secretary to grant such cash credits. The directors must have known that such business required great caution and knowledge of the means of the several applicants. They could scarcely be ignorant of the poor qualifications of Mr. Blair for the successful transaction of such business, and, consequently, if they allowed such cash credits at all, they should have taken care that they were all brought before the board, and considered by themselves.

From this date the most reckless system of advances commenced. The secretary was virtually unrestricted in the powers he assumed to have; and the president and directors, although they must have known that enormous sums were flowing out of the bank, appear to have made no enquiries, and to have exercised no supervision. The discount list was discontinued. No loans were brought before the board or the weekly committee for their sanction. Lacs of rupees were advanced by Mr. Blair, without consulting the directors, to single individuals, or to the ephemeral companies of the day, on no other security than the promissory note of the party borrowing; and he appears to have done this in many instances, although the borrower was already largely indebted to the bank. The only restriction placed on the secretary by the resolution of the 6th August 1863 was practically evaded, advances being actually made by him on the security of shares, though "nominally" the shares were lodged for safe custody only. In violation of all proper banking practice, large advances were made for much longer periods than three months, and no difficulty was ever made as to the renewal of a note if the interest was regularly paid.

But Mr. Blair was not content with bad banking. In direct contravention of section 34 of Act X. of 1863, which prohibits advances on the security of land, or the title-deeds relating thereto, he lent Messrs. Taylor, Diver, Ardaseer Madhowjee, and Treacher and Co., 60,000 rupees, on their joint promissory note and the deposit of the title-deeds of land at Poona.

The documents signed by borrowers were of a most informal kind. The old and inappropriate forms, which were used for advances made on Government paper, were still made to do service, and they were so carelessly prepared, that the rate of interest provided in case of default was less than that charged during the currency of the loan.*

* Vide Extracts A 51 and A 131 in Appendix to Minutes of Evidence.

Second Period, 1st June 1864 to 30th April 1865.

Premchund Roychund, besides obtaining large sums from time to time for himself, the amount culminating in a debt of 42 lacs and upwards from him to the bank, obtained loans for other persons, who applied the money in the purchase of shares from himself, to the amount of 66,90,000 rupees (669,000*l.*), of which 43,45,478 rupees (434,547*l.*) has been irrecoverably lost. He also procured from the bank, for his partners in speculation and for his own purposes, 29,58,938 rupees (295,893*l.*), of which 13,02,408 rupees (130,240*l.*) has never been repaid. He also recommended many other loans to a large amount, whether disinterestedly or not it is impossible to say.

We will now state a few out of many similar cases to show the way in which the bank's money was lent during this disastrous period.

On the 14th July 1864, Sorabjee Jamsetjee Jejeebhoy obtained a cash credit for five lacs (50,000*l.*), giving no other security for its repayment than his promissory note. Acting under the advice of Premchund, he had made unsuccessful applications for allotments in the Back Bay Company to two of its promoters, Cowasjee Jehangeer and Mr. Scott, and then, to use Sorabjee's own words,—

"Premchund again called on me to know whether I had received any shares from Mr. Scott. I replied in the negative. He said, 'Never mind, I will manage all that for you,' and told me to give him a commission to purchase for me as many shares as I wished. I told him that I was short of money, and I could do no more than purchase a few shares. Premchund thereupon said, 'Take my word, Sorabjee, and do not trouble yourself about money. I will get you as much money as you require. But do not go in for less than one hundred shares.' I expressed surprise at his proposal, seeing that I was unable to pay for all these shares. He told me that he could procure 10 lacs of rupees in a twinkling. I agreed to it, and asked how he could manage it. He said he would get the money from the Asiatic and the Bombay banks. The next day or the day after that, he sent me two notes, one addressed to Mr. Morrison, the manager of the Asiatic Bank, and one to Mr. Blair. In the latter he wrote, 'My dear Mr. Blair, could you accommodate Sorabjee with five lacs?' The letter to Mr. Morrison was of the same purport. On the other side of the two chits (notes) he had got replies from Mr. Blair and Mr. Morrison, saying they would give the money with pleasure.

"Next day he called on me at my office, and asked me if I was able now to go in for shares. I said, 'No, not the hundred,' and gave him a commission for 43 shares only. Ten lacs were not sufficient for the purchase money of 43 shares, so Premchund asked me to send in some money to the banks to my credit. I accordingly did so. It was about 60,000 rupees (referring to his books), 26,500 rupees to the Bank of Bombay and 40,000 rupees to the Asiatic. On the 14th July, he came to me personally for the cheques, and asked me to hand them over to him. I accordingly did so."

On the 11th October 1864, Mr. Diver, a medical man in Bombay, Mr. George Taylor, the Master of the High Court, and Atmaram Madhowjee, a well-known speculator, obtained a loan of five and a half lacs (55,000*l.*) from the bank. Some time before Premchund had called on Mr. Diver, and told him that Back Bay shares were likely to become very valuable, and that the Bank of Bombay was prepared to advance money on them at the market price without any margin, and to allow the promissory note taken at the same time to be made payable on the 1st July 1865, more than eight months after the granting of the loan. Mr. Diver thereupon consulted with Mr. Taylor and Atmaram Madhowjee, and having obtained their consent, 20 Back Bay shares were bought from Premchund. The promissory [illegible] sent to them for their signature, but they never saw the money or [illegible]. The whole transaction was managed by Premchund Roychund, [illegible]ed the five and a half lacs from the Bank of Bonbay in payment [illegible]Back Bay shares, which he subsequently deposited with the bank as [illegible] loan.

[illegible] December 1864, Cursetjee Furdoonjee obtained a fixed loan of [illegible]2,500*l.*) on the security of his promissory note and the deposit [illegible]res, part of a larger number he had purchased from Prem- [illegible] negociated this loan with Mr. Blair, being a director of the

Second Period, 1st June 1864 to 30th April 1865.

bank at the time, and it is clearly proved that these 10 shares were bought from him by Cursetjee for 5,25,000 rupees (52,500*l.*), and that consequently the bank lent one lac more on them than they had actually cost.

Again, in January 1865, Mr. Fleming, a partner in the firm of Nicol and Company, obtained a cash credit for 10 lacs (100,000*l.*) on the security of their promissory note; the money was soon afterwards repaid, but the following is Mr. Fleming's account of his negociation with Mr. Blair:

"The Elphinstone Company, of which my firm were the secretaries and treasurers at that time, owed my firm 12 lacs of rupees, and they were not likely to be in a position to repay the advance for rather more than a month. I required a part of the money, and I went over to the Bank of Bombay to see Mr. Blair, and to ascertain whether I could obtain an advance from the Bank of Bombay I was prepared to make explanations as to why I needed the money, and, if need be, to offer security. Mr. Blair granted me the loan at once, immediately on my asking for it. He refused to hear any explanations at all, but turned to Mr. Robertson, who, if my memory serves me right, was in the same room, and said, 'Let Mr. Fleming have 10 or 20 lacs or whatever he requires.' I urged very much making some explanation, for it was an anomalous thing my borrowing such a sum of money at the time, but he would not listen to anything which I had to say."

During Mr. Blair's temporary absence at Poona for five weeks in August and September 1864, and again during his absence at Ajmere, from the 16th January to the 14th March 1865, Mr. Robertson, the deputy secretary, acted for him, and his administration during this period appears to have been as reckless as that of Mr. Blair. His advances were numerous; and a great proportion of them ended in loss. We will only mention two glaring instances.

In August 1864, Premchund told Kursondass Madhowdass that the Bank of Bombay did not know what to do with their money, and that he, Premchund, was asked to get it invested, and he proposed to Kursondass to buy 100 Back Bay shares as a speculation on the joint account of Kursondass, Premabhoy Hemabhoy, and himself, and to borrow the purchase money for the shares from the Bank of Bombay on a fixed loan, to be repaid on the 1st July 1865, and to give the bank as security some of the shares bought, and the promissory notes of three partners in Kursondass's firm, *viz.*, Kursondass, Muggon Huttising, and Mayabhoy Premabhoy. The reason for suppressing the name of Premabhoy Hemabhoy has not transpired, but Premchund was a director of the bank at this time, and probably wished to conceal his share in the transaction. Kursondass Madhowdass and the others having acceded to this proposal, 25 lacs (250,000*l.*) was borrowed through the instrumentality of Premchund from Mr. Robertson, eight lacs in the name of Mayabhoy Premabhoy, eight lacs in the name of Muggon Huttising, and four lacs in the name of Kursondass, each of them giving a promissory note for those amounts, and on the 26th September following, Kursondass obtained another sum of five lacs on his promissory note. The money having been thus obtained, 53 of the shares were bought from Premchund himself, and the rest from other brokers, and then 80 of the shares were deposited with the bank, nominally for safe custody, but on the understanding that they were to be security for the repayment of the loan.

On the 25th January 1865, Messrs. Brown and Best, brokers, obtained a loan of two and a half lacs (25,000*l.*) from Mr. Robertson, on a bond payable in fourteen days, without giving any other security. According to Mr. Best's evidence, Mr. Tracey, a director of the bank, and Messrs. Brown and Best entered at this time into a joint speculation for the purchase of Port Canning shares, five lacs being required for their purchase, Mr. Tracey contributed one lac, Mr. Best one lac, and the firm of Brown and Best, by means of the loan from the Bank of Bombay, two and a half lacs, and this statement was made in a pencil entry in the books of the firm. Mr. Brown, on the other hand, says he was induced to go into the speculation at the instigation of Mr. Best and Mr. Tracey, and that Mr. Tracey was not himself a party to the speculation, being largely interested in Port Canning shares, the price of

to keep up, he lent Mr. Brown the one lac and a half, to enable him to carry out his speculation. Neither story is very creditable to Mr. Tracey, who did not hesitate to recommend Mr. Robertson to lend this money to two brokers, with no other position than that which their speculations gave them, knowing at the time that the money was to be employed in a share speculation, in the success of which he was in some way personally interested. As soon as this loan had been arranged by Mr. Tracey and Premchund with Mr. Robertson (who also knew that the money was to be used in a share speculation), Mr. Tracey told Brown that he might have the money if he applied for it.

After the fourteen days had elapsed, this loan was renewed by Mr. Blair, but even then no further security was taken, the 46 Port Canning shares eventually deposited as security not being given to the bank till June 1865.

Branches.

The numerous branches of the bank were under the superintendence of the secretary alone. The weekly returns, showing the business done at the branches, and the monthly returns, showing the securities on which advances were made, were never laid before the board, and all the directors, express ignorance as to the business transacted at the branches. Some of the directors thought that Mr. Birch, the president, was looking after them, but it is clear that they were left to the management of their respective agents, subject to the supervision of Mr. Blair and the inspector of branches.

The value of Mr. Blair's supervision may be estimated by his admissions that he never looked at the weekly returns, but trusted the accountant would let him know if anything was wrong, and that he only glanced at the monthly returns to see what profit was made. It is further illustrated by the fact that the powers of attorney for the different agents, which were prepared in pursuance of section 41 of Act X., were never executed, or issued from the bank.

The inspectors of branches received no instructions when appointed, and seldom visited the branches during this period. The Hydrabad branch was never visited. During the time that Mr. Fraser was agent at Kurrachee, more than a year and a half, that branch was never visited. They were, in fact, never visited unless something was wrong. As Mr. Blair rather incoherently observes, "it was so expensive to send inspectors through India, that I fancy "it was not necessary unless something was really wrong,—because everything "was going on well."

The duties of the agents at the branches were not better defined than those of their superiors. They received no instructions, except some printed rules, one of which was intended to define the power of the agent as to advances, but did not state the amount, being left blank where it ought to have set out the extent to which he might advance. There was in fact no limit on the power of the agents to make advances, and nothing to guide them as to the credit of applicants.

The discount lists of the branches were discontinued, and the agents were either told that they ought to be the best judges of the credit of parties applying for advances, or they were referred for advice to the agents of Premchund [illegible]und.

[illegible] result of all this want of system and neglect on the part of the directors and secretary, is seen in the heavy losses incurred at almost all the branches. The following table shows the amount of those losses (excluding the Kalbadevi branch):—

				Rs.
[illegible]na	...	...	...	4,31,549
A[illegible]dabad	...	...	...	6,38,484
S[illegible]	...	...	...	5,94,699
Dha[illegible]	...	...	...	2,19,762
Ku[illegible]		...	...	1,67,751
	Total	...	...	20,52,245

Second Period, 1st June 1864 to 30th April 1865.

The Kalbadevi branch was opened in June 1864. It was situate in the town of Bombay, and not more than a mile distant from the head office, but it was thought that a branch there would be a convenience to many native customers, and the directors proceeded under section 41 of the Act to obtain the sanction of Government for its establishment.

It seems to have occurred to no one to read the 41st section attentively. That section authorized the establishment of branch banks "at such other places than Bombay" as the directors might deem expedient, and did not authorize the opening of any branch in Bombay itself. It may be that the establishment of such a branch was not prohibited, or illegal, but it was certainly unauthorized by the Act, and the consent of Government was unnecessary, as the 41st section did not apply to such a case. This question, however, attracted the attention of no one, and the consent of the Governor in Council was obtained, apparently, as a matter of course.

Mr. Bullock, an assistant in the bank, was appointed manager of this branch, and was told to consult Premchund as to the credit of applicants. He was supposed also to be in daily communication with the secretary, and to be conducting the business of the branch under his advice; but, notwithstanding frequent visits to the head office, he appears to have received very little, if any, assistance from Mr. Blair, and to have acted very much according to his own views of banking.

Nothing could be worse than his management, and the way in which the branch was worked by some of its native customers, shows how injudicious it was to open such a branch in Bombay. When applications were made for advances, Mr. Bullock never inquired at the head office respecting the party applying, and the consequence was that he sometimes advanced money to persons whose applications had just been refused by the head office, or to parties who had already received large advances there, and to whom it was imprudent to make any further advance. Mr. Bullock defends these transactions on the ground that he relied on the security of the shares deposited, and it is certainly true that he did advance on shares (although Mr. Blair was forbidden to do it, and only did it covertly at this time), but their deposit did not excuse his want of caution in not ascertaining the exact position of these parties with regard to the Bank of Bombay.

Mr. Bullock's evidence did not give us a favourable impression of himself or his administration. Notwithstanding his repeated denials, we are satisfied that he frequently borrowed money from Roychund Deepchund, Premchund's father, to pay for the shares in which he was constantly trafficking, when manager of this branch. His administration was marked by all the folly and bad banking which characterized the proceedings of the head office, and resulted in a loss of more than 19 lacs of rupees, which have never been recovered.

It was not till the 21st April 1865, that any restrictions were put upon the powers of the agents to make advances, but at that date they received a circular directing them not to advance, without the sanction of the head office, "on one party's name more than 20,000 rupees at a time," and even for this amount they were to obtain collateral security, if possible.

On the 27th February 1865 Mr. Birch resigned. His colleagues recorded their sense of his services in the following resolutions, which were carried unanimously :—

"That the most cordial thanks of the directors be conveyed to Mr. Birch for his long continued and most valuable services to the Bank of Bombay.

"That Mr. Birch be requested on his return to England to have a [illegible]gth portrait of himself painted by a good artist, at the expense of the bank, and that it be placed in the board room of the new building, as a record of Mr. Birch's valuable services during the five years of his chairmanship."

We offer no opinion on Mr. Birch's administration of the bank previous to August 1863, and it may be that these praises were justly due to him for his conduct as president anterior to the passing of the new Act. The Commission have only inquired into his conduct after that Act passed, and cannot concur in these praises, so far as they apply to the period embraced in their investigation.

We have been unable to discover that Mr. Birch did anything, except preside at the Board meetings once a week. Whether owing to failing health, or indifference to the affairs of the bank, we are unable to say, but his whole administration after the passing of Act X. was remarkable for nothing but idleness and incompetency. We regret that we cannot stop here. Mr. Birch was not too ill to occupy his time in speculations which necessarily diverted his attention from his duties as president. It is proved that he received allotments in many companies, the shares of which were at a high premium at the time he received them, and he thereby laid himself under obligations to the promoters of companies, and became a party to the wild speculations of the day. It is proved, moreover, that he allowed the secretary and his deputy to know that he was receiving such allotments. He thus placed himself in a position in which it would be difficult to protect the bank, either from the speculators who swarmed to it for money, or from the servants who were throwing that money away. His conduct was in violation of the spirit, if not the letter, of the Government orders respecting speculations by officers of Government, and was inconsistent with his position as the head of a great Government Bank; and although there is no evidence that he was in league with the schemers who were then using the bank's money for their own purposes, there is no doubt that his conduct brought additional discredit on the administration of the bank.

On the 2nd March 1865 Mr. Hannay, a member of the firm of Grey and Co., who had been a commercial director since the previous December, and who was a member of the consulting committee of the Asiatic Bank, was elected president.

At the end of March 1865, Premchund Roychund told Messrs. Hannay and Morrison (the manager of the Asiatic Bank), that he had seen Mr. Blair and Mr. Tracey, and that there were "influences at work" connected with time bargains, which would bring down the price of all shares, including those of the Back Bay Company, and it was eventually agreed that Messrs. Hannay, Morrison, Blair, Tracey, and Premchund should each buy five Back Bay shares, with the view of keeping up the price, and that the loan for the purchase money of the shares should be obtained from the Asiatic Bank, in the name of Dossabhoy Dhunjeebhoy, Premchund's manager. The 25 Back Bay shares were accordingly bought through Premchund, between the 4th and 13th April 1865, at premia of 33,500 rupees and 34,000 rupees per share, and he of course took this opportunity to sell some of his own shares.

According to Premchund Roychund's version of this transaction, it was a speculation for a larger amount, involving the purchase of 50 Back Bay shares; but this is denied by Messrs. Hannay and Morrison, who say they refused to enter into the enlarged speculation proposed to them by Premchund. But the amount or the number of the shares bought is not the question, and is almost immaterial. Mr. Hannay says that the shares were at such a high price at the time, that none of the parties could have contemplated making a profit, and that their sole object was to keep up the price, and so benefit the Asiatic and Bombay banks, who were large holders of such shares. This may have been one reason for this transaction, but it is improbable that they would have incurred so great a risk for the sole purpose of benefitting the banks, or that, if

Second Period, 1st June 1864 to 30th April 1865.

this had been their only object, they would have concealed their names by using that of Dossabhoy Dhunjeebhoy; and on the other hand, there can be no doubt that they would have taken any profit arising out of the transaction. It was therefore a speculation to all intents and purposes, and one in which the president and secretary of the Bank of Bombay were both jointly interested. The statement of the fact seems enough to ensure its condemnation, and Mr. Hannay told us he had never ceased to regret it.

Mr. Hannay on becoming president made no immediate alteration in the practice of the bank, but began to inquire into the management and as to the outstandings, and his inquiries soon brought to light the practice of lending money on promissory notes with shares deposited for safe custody, and it seems he disapproved of the practice, and thought that it would be better to take advantage of the Act, and sanction advances on shares. At this period too the prospect of the speedy termination of the American war had caused a great depression in the cotton market, and money was exceedingly scarce in Bombay; and it was represented to the directors that many good customers of the bank had their property locked up in shares, and that it would be a great relief to the money market to advance on such securities.

Impressed by these considerations, and actuated, no doubt, by their own desire "to give confidence in the bazaar," and keep up the value of Back Bay shares, Messrs. Hannay, Tracey, and Premchund determined to bring the question before the board. Mr. Hannay says, he did not finally determine on this, till the morning of the 12th April, when Mr. Robertson was directed to prepare the draft resolution, which he accordingly did; but if this be so, the result of some discussions between himself and other directors had transpired, as it was known in Bombay, before the Board met, that they were about to sanction advances on shares.

On the 12th April 1865, Messrs. Hannay, Tracey, A. Brown, F. S. Chapman, Lushington, and Premchund Roychund were the only directors present at the board meeting. Mr. Hannay proposed the resolution prepared by Mr. Robertson, which was read by Mr. Blair. The resolution, as it appears on the scroll minute, did not set out the resolutions of the 6th August and 17th September 1863, but merely referred to them by date, leaving a blank for their subsequent insertion; and there is a conflict of evidence whether those resolutions were ever brought to the attention of the directors generally at the time. Mr. Hannay says, they were read out from the minute book, and Premchund says that he first heard at this meeting of the resolution of the 6th August 1863, and they are corroborated by the scroll minute which refers to the former resolutions. On the other hand, Messrs. A. Brown, F. S. Chapman, and J. L. Lushington, all new directors, are positive that they never heard of the former resolutions, and were unaware that they were rescinding them. The question is of some importance, with reference to statements subsequently made by the Government directors who were present, but the conflicting statements are capable of explanation. Mr. Hannay admits that the whole business was hurriedly done. Mr. Blair would not be likely to linger, a moment longer than could be helped, on the question of advancing on shares. Messrs. Hannay, Tracey, and Premchund would all be disinclined to speak of anything likely to provoke discussion on the principle of the measure; and so it came to pass, probably, that the former resolutions were not emphatically recited or commented on, and escaped the attention of new directors, who admit that at this time they were relying with confidence on the superior knowledge of their colleagues. Whether this be the true explanation or not, there was no discussion on the principle of the measure, but only on the questions whether Port Canning shares should be added to the list, and as to the rate at which Back Bay shares should be taken. The first question was decided in the negative: but when

Mr. Lushington said that he thought the Back Bay shares were rated too high, Mr. Hannay observed, "I believe there is no gentleman in this room who would "not be glad to buy any number of those shares at 25,000 rupees, instead of "20,000 rupees," an observation which Messrs. Tracey and Premchund, with their recent experience of buying such shares at premia of 33,500 rupees and 34,000 rupees, would no doubt confirm. Mr. Lushington, thinking that his colleagues knew more of the matter than he did, withdrew his objection, and the resolution passed unaltered, as follows:

"Resolved that the secretary be authorised, at his discretion, to advance on the shares of the under-noted companies, to the extent of the amount marked opposite each. Shares so deposited are not to be transferred to the bank, but the certificates to be accompanied by blank transfers signed by the transferors.

"Bank of Bengal, paid up 8,000 rupees; present market rate, 16,000 rupees premium, old and new shares. Advance 6,500 rupees on each share.

"Bank of Madras,	paid up 1,000 rupees; ditto	123 per cent.	Advance 75 per cent. premium.
"Agra Bank	- paid up 500 rupees;	160 per cent.	Advance 100 per cent. premium.
"Asiatic Bank	- paid up 200 rupees;	105 per cent.	Advance 75 per cent. premium.
"Oriental Bank Corporation	- paid up 250 rupees;	170 per cent.	Advance 125 per cent. premium.
"Commercial Bank Corporation	- paid up 250 rupees;	75 per cent.	Advance 50 per cent. premium.
"Bombay Reclamation Company	- 5,000 rupees;	30,000 rupees prem.	Advance 20,000 rupees premium.
"Elphinstone Land & Press Company	- 1,000 rupees;	1,450 rupees prem.	Advance 1,000 rupees premium.

"In granting such advances the secretary will, in all cases, intimate and insert in the bond that, should the shares deposited be depreciated in value during the currency of the loans, the security must be increased, or a partial payment made to reduce the debt. One per cent. above regular rate to be charged on such advances; and it is to be distinctly understood that such advances are only to be granted to first-class applicants."

Notwithstanding the general terms of Act X of 1863, it was still open to the directors to confine the operation of the Act within safe limits. If they had only permitted advances at a reasonable rate on the shares of well-established companies, such shares being paid up in full, and had prohibited advances on the premia of shares, both the amount and the risk of the business done would have been restricted within narrow limits; but it was not the intention of Messrs. Hannay, Tracey, and Premchund so to restrict the operation of this resolution, but rather to give "confidence in the bazaar," and keep up the high price of Back Bay and other shares, and with this object they took the imprudent course of permitting advances on the premia of shares in such companies as the Back Bay, the Elphinstone Land and Press, and the Asiatic Bank shares which owed their high price in the market, more to the mad speculations of the day, than to any sound basis of works done, or business connection established.

The resolution was also calculated to impress the new directors with the belief, and did in fact lead them to suppose, that no advances on shares had previously been made. Neither Mr. Hannay, nor the secretary, undeceived them on this point.

This resolution also confirmed to a great extent the powers usurped by the secretary, and allowed him, at his discretion, to lend any amount on shares, observing the prescribed rate, and although the resolution stated that such advances were to be made to first class applicants only, it left Mr. Blair to be the judge who were applicants of that class. The directors must have known that the exercise of this discretion required great care and knowledge of the varying position of the companies from time to time, and they ought not to have delegated such powers to their secretary, but should have retained it in their own hands.

The resolution was immediately acted upon, and, out of twenty-two advances made on shares between this date and the 10th June following, fourteen resulted in losses amounting to 13,47,152 rupeees (134,715*l.*).

Mr. Hannay's attention being called to some of these advances, he appears to have told Mr. Blair that he had been acting without discretion, and that no

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advances should in future be made without reference to the directors or the weekly committee.

These were Mr. Blair's last acts as secretary. He left for England on the 29th April 1865, having, the day before, mortgaged his Bombay Bank shares to pay the balance of his account with Roychund Deepchund, amounting to upwards of 15,000*l.* (1,51,875rs. 4a. 9p.), and was succeeded in the office of secretary and treasurer of the bank by Mr. Donald Robertson.

The end of April, and the termination of Mr. Blair's career as secretary, bring us to the end of the second period of the bank's history.

The result of Mr. Blair's management of the bank may be summed up shortly thus:—Of the advances made at the head office during the time he was secretary, and outstanding when he retired, 1,27,82,437 rupees still remain unrecovered. Of the advances made at the Kalbadevi and other branches during the same period, and outstanding when he retired, 25,30,965 rupees still remain unrecovered, making a total loss by advances in Mr. Blair's time of 1,53,13,402 rupees, or 1,531,340*l.*

Mr. Blair was unequal to the management of such an institution as the Bank of Bombay, and his general weakness of character rendered him an easy tool in the hands of a designing man such as Premchund. But his concealment from the directors of his mode of transacting business, and his orders for the omissions from the application book, show that he was dishonest, and deceived those by whom he was trusted. He resorted to concealment, because he knew that he was doing what the directors would not sanction; and when we consider how much he was indebted to Premchund for allotments, for advice and assistance in speculation and for money actually received from him and his father, we have no hesitation in concluding that much of his conduct is attributable to a desire to propitiate Premchund, and an inability to refuse any advance which he chose to recommend or sanction.

The commercial directors during the foregoing period were Messrs. Hannay, Steel, McIlwraith, Scott, Lidderdale, A. Brown, Tracey, Cassels, Cowasjee Jehangeer, Premchund Roychund, and Cowasjee Manockjee. The Government directors were Messrs. Birch, Mangles, Ravenscroft, Jacomb, F. S. Chapman, and Lushington.

Cowasjee Jehangeer resigned on the 11th July 1864, and Mr. Cassels was only a director for about four weeks in February and March 1865, and neither of them can be deemed responsible for the proceedings of this period. Messrs. F. S. Chapman and Lushington sat for the first time on the 16th March 1865, and Mr. A. Brown joined the board on the 9th April following. The last three directors are responsible for the resolution of the 12th April 1865, but they are not answerable for the vicious system that prevailed during this period of the bank's history, which they could scarcely have understood before May, and which it is clear they subsequently endeavoured, somewhat ineffectually, to correct.

Of Premchund we shall speak hereafter. The conduct of the other directors during this period was characterized by culpable negligence. With the exception of Mr. Hannay, they all considered that their duty was sufficiently discharged if they attended at the board meetings once a week. Although they were appointed in rotation members of the weekly committee, they never met at the bank, or inquired how the business was done, or why the secretary discontinued to refer to them by circular. They were ignorant of the large sums granted on the security of promissory notes only, and of the other large advances made on the security of promissory notes and shares lodged for safe custody; and, although their ignorance of these loans is partly accounted for by the omission of all reference to them in the application book, and the neglect of the secretary during this period to lay any books before the directors at their meetings, yet it is obvious that they should not have allowed themselves to be so blindfolded, but should have care-

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fully examined the daily book, and the registers of bills discounted, and securities deposited, as well as other books of the bank; and if they had done this, which was no more than their duty, they would have soon discovered everything relating to these large loans, and the scandalous manner in which the funds of the bank were thrown away.

With respect to the charges made against the directors of having used the bank's money for their own purposes, we find no evidence of any such conduct on the part of any director, except Premchund Roychund and Mr. Tracey.

It is true that the other commercial directors, with the exception of Messrs. McIlwraith, Lidderdale, and A. Brown, were more or less engaged in speculations, and, although their own conduct may have led them to look on the mad speculations of the day with a lenient eye, and to take no steps to repress them, yet we have no reason to believe that they were influenced by any corrupt motive.

Mr. Lidderdale was no party to the resolution of the 12th April 1865, having been absent from Bombay for about three months subsequent to the middle of March.

With the exception of the president and Mr. Mangles, all the Government directors of this period were in office for a short time. Mr. Ravenscroft was only in office for four months and a half, and Mr. Jacomb for three months and a half. Messrs. F. S. Chapman and Lushington attended the board for the first time on the 16th March 1865, and cannot be held responsible for the practice of this period. All the Government directors held other offices under Government which occupied their time, and one of them, Mr. Ravenscroft, was Acting Secretary to Government, President of the Bombay Municipal Commission, and one of the Commissioners for considering applications from promoters for reclaiming portions of the foreshore of the island, and was constantly obliged, during the time he acted as director, to visit the Governor at Matheran and Poona.

Messrs. Mangles and Jacomb received some allotments of shares during the time they were directors of the bank. Their receipt of such allotments at this period was reprehensible, but the allotments were not so numerous, or so valuable, as to raise a suspicion that they were speculators in any large sense, or compromising their position as directors, by laying themselves under obligations to the promoters of that period, or fettering their own independence of action.

Mr. Ravenscroft received no allotments during the time he was a Government director, except one of the Port Canning Company, which was a Bengal scheme, and this allotment was not received by him till the month of February 1865, on the 23rd of which month he sat at the board for the last time.

The attention of Sir Bartle Frere, the Governor of Bombay, having been called during the preceding period to the fact that officers of Government were speculating in shares, he determined to take measures to repress the practice. The previous orders of the Government of India, dated the 28th May 1852, and the 11th March 1862, only prohibited Government servants from taking any part in the management of banks or other trading companies, or from being in any way concerned in them, except as simple shareholders. [illegible] the 21st May 1864, the Secretary of State had decided that [illegible] general rule, he saw no objection to the servants of Gov[illegible] shares in joint stock companies, having for their object the [illegible] resources of the country, yet public servants should tak[illegible] agement of such institutions, and should not be em[illegible] where the operations of the company might be ca[illegible] rendered it difficult for the Bombay Government to fo[illegible] companies altogether, and a difference of opinion am[illegible] Bombay Government at that time, as to the course wh[illegible] rendered it still more difficult to deal with this questi[illegible]

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the 16th November 1864, was issued to Government servants, which, after reciting the orders of the Secretary of State, proceeded thus:

"3. His Excellency the Governor in Council now desires to point out to all public servants of Government at this particular period, when there is so strong a tendency to speculation in Bombay, the extreme importance of obedience to the *spirit* of all the previous orders above alluded to, rather than to the mere letter of the law, and to repeat that Government will be guided in its action in accordance with the principles laid down by Sir George Clerk, concurred in by the Government of India and the Right Honourable the Secretary of State.

"4. The Governor in Council has no wish to go further than is absolutely necessary in defining, by specific restrictions, limitations easily recognized by that high-toned sense of public duty which has always stood out as one of the strong characteristics of the Indian services. He believes it to be sufficient to remind all public servants of the great importance of avoiding any connection, however remote, with any undertaking which might tend to fetter their action, or divert them from the numerous and important responsibilities imposed by the public service upon them.

"5. Without therefore attempting to lay down stringent rules on the subject, the Governor in Council would caution every one connected with the Government, or belonging to any department or office at or near the Presidency, in which the affairs of any company are likely to form a matter of official reference or discussion, that he will run extreme risk of having his motives misconstrued, more especially during the present period of excitement, should he become a shareholder in any such company."

This order was well intentioned, and although it would have been better if it had distinctly prohibited the trafficking or jobbing in shares as distinguished from investments therein, and the receipt of original allotments at a time when the high premia on all shares rendered the allotment a pecuniary favor, it ought to have been sufficient to repress the spirit of speculation among Government servants.

The Government of Bombay has been charged with supineness in not more vigilantly superintending the bank during this period. It is but fair however to remark that, until a late period in the bank's history, the returns sent by the bank to Government were of a delusive character, and not calculated to afford any accurate information as to the nature of the business transacted, or the securities on which advances were made.

Third Period, 1st May 1865 to 24th April 1866.

We now enter on another period of the bank's history, from the 1st May 1865 to the 24th April 1866.

About the end of the preceding March, Sir Bartle Frere had received a note from Sir Charles Wood, dated the 3rd March 1865, in which he observed:

"I cannot help being in some alarm at the possibility of a crash in your Bombay speculations. We hear disagreeable rumours, and after the way in which they have been going on, I am afraid that it is probable. Pray look after your bank and currency matters. We must stand clear, but I would send for your Government directors in the bank, and desire them to look very carefully into what the bank is doing, and to keep you informed."

On the receipt of this warning, Sir Bartle Frere communicated its contents to the Chief Secretary, Mr. F. S. Chapman, a Government director, and he and his colleague, Mr. Lushington, began immediately to look more closely into the management of the bank than their predecessors had done.

Mr. A. Brown was also alarmed, a few days after he became a director, by rumours that the bank was involved in loans to men who had speculated largely, and who had time bargains in shares, and he asked Mr. Tracey, at one of the [illegible]s, whether in his opinion there was any ground for the rumours [illegible] Mr. Tracey replied that they had better not discuss the subject [illegible]ernment directors were only too apt to take alarm. As the [illegible]d was about to commence, Mr. Brown did not pursue the [illegible]he felt very uneasy, and contemplated retiring from the [illegible]ulted his partner, Mr. Fleming, that gentleman told [illegible] negociation with Mr. Blair for the cash credit of [illegible]n to remain in the direction and try to bring about a [illegible]hich Mr. Brown resolved to do.

[illegible]ing thus warned, applied themselves to their duties, and [illegible]al error in the system of the bank. Previou[illegible] the b[illegible]d

meeting of the 4th May 1865, Mr. F. S. Chapman inquired of Mr. Brown whether he was satisfied with the way in which the business was done, and "particularly referred to the utter ignorance in which the directors were kept "as to the business and everything that was going on, and they both agreed "in the opinion that the directors were ciphers, and the secretary apparently "uncontrolled." The two Government directors having come to the meeting prepared to move in the matter, Mr. Brown agreed to support them, and Mr. Lushington then commenced the discussion, by proposing that restrictions should be put upon the secretary's powers to make advances. This was strongly opposed by Mr. Hannay, the president, who said that unless the secretary was left unfettered, it would be impossible to make him feel his responsibility, and that men of standing had too much self-respect to have their applications scrutinized by the whole board. Mr. Tracey supported Mr. Hannay, and the result of the discussion was a compromise, and the passing of the following resolution:—

"That no new constituent of the bank be allowed credit beyond rupees three lacs, without the special sanction of three directors."

This resolultion shows that the directors knew that the secretary was granting loans for more than three lacs on his own authority, and it places no restraint on his exercise of this power in the case of old constituents, or in the case of new constituents applying for less than three lacs, and only forbids loans by him to new constituents for more than three lacs.

The operation of this resolution was therefore confined within narrow limits; but Messrs. Brown, Chapman, and Lushington all insist that this resolution does not express the result arrived at by the discussion, inasmuch as there was an express understanding that all future applications fer advances were to be laid before the board. We are satisfied that these gentlemen are speaking the truth, although Mr. Hannay does not recollect this understanding, and it does not appear upon the board minutes.

Mr. Hannay's evidence was given with great fairness, but he was very ill when he gave it, and he may well have forgotten that which the other directors distinctly affirm. We think it probable that the resolution recorded was the only resolution come to, but that, in order to reconcile the majority of three directors to the small result of their efforts, some assurances were given them that future applications should be laid before the board; and inasmuch as from this date (whether the result of the panic hereinafter mentioned, or this understanding it is difficult to say) many applications for advances were brought before the board, the new directors had reason to suppose that they had effected a material reform in the system of the bank.

Although a better state of things was thus inaugurated, there was little improvement in the practice as to advances. Nor was it likely that there would be, for many of the directors knew nothing of banking, and some of them were too much immersed in speculations, and too desirous of making the market easy and keeping up the price of shares, to throw difficulties in the way of those who wanted money.

Neither was it likely that Mr. Robertson, the secretary, would effect any improvement in the system of the bank. He was a party to some of the worst business done in Mr. Blair's time, and was not much more scrupulous than his predecessor. He accepted allotments from Premchund, Mr. Hannay, and the other promoters of the day, and consulted Premchund respecting his speculations.

Mr. Robertson made the following statement as to one of these transactions:

"In 1864 I had several shares allotted to me; Back Bay shares, in one particular instance; and I thought I should like to have some shares in the Bank of Bombay. I spoke to Premchund on the matter and told him this. I said that I should like to sell the Back Bay shares, and to buy ten Bank

Third Period, 1st May 1865 to 24th April 1866.

of Bombay shares, so that I might get the increase of capital, and so get the shares to hold as an investment. y He said, 'Do not sell your Back Bay shares. I have plenty of shares, and I will give them to you at the present price, if you like, and you can take them up on any day you like.' I forgot all about it until June 1865. The shares were then very much lower, and I gave him a list of all the shares, and said, 'I want you to sell all my shares. I want to get rid of all shares'; which would even then have given me a very good return. I said, with reference to the Bank of Bombay shares, 'They are very much down now, and I want to get out of them.' They were then at par, I believe. He said, 'The best thing for you to do is to take so many more to make an average.' I consented, telling him that immediately the shares got up to a certain price I would tell him to hand them over. There was no writing, and no acknowledgment in any way. I never got a share in my possession; and in September or October 1865, when the shares were at about 70 rupees a share, I made a calculation, and found that with some money which he, or rather his nephew, who was conducting business for him, and for whom he was responsible, owed me for shares, I should be clear; and I said to him, 'These shares must be handed over at such a price, which clears me the amount.' He said, 'Do not you want to make any money out of them'? I said, 'No, I want to get rid of them.' He said, 'Very well, they shall be handed over'; and the account was made up in that way."

The real transaction, however, was that Premchund Roychund was to supply the shares, and Mr. Robertson was not to pay for them till he chose. Premchund accordingly bought the 10 Bank of Bombay shares, and paid 34,795 rupees for them, and as he did not choose to be out of pocket by the whole of that sum, he borrowed 32,000 rupees from the Asiatic Bank, on the deposit of the shares. But the remarkable part of the transaction, which apparently surprised Mr. Robertson, but did not surprise the Commission, was, that the accounts of this transaction are not found in the books of Premchund, but in those of his father, Roychund Deepchund, and therefore afford another confirmation of the fact, that loans by Roychund Deepchund were often the loans of his son.

But the entries in respect of this transaction are not the only entries in Roychund Deepchund's books of sums paid to Mr. Robertson, or on account of shares purchased for him; and at the end of the Hindoo year 1921 (October 1865), Mr. Robertson was indebted to Roychund, or his son Premchund, to the amount of 75,240 rupees (7,524*l.*) The influence thus obtained over Mr. Robertson was, as we shall hereafter see, exercised by Premchund and his father without much scruple or attention to the interests of the bank.

There was no improvement as to advances on shares, except that the directors, or some of them, were now consulted as to such advances. All the directors had authorized these advances by the resolution of the 12th April, and they required the experience of a few more months to show them the danger of such banking.

Another loan was granted by the full board, on the 17th May 1865, on the security of land. Dossabhoy Merwanjee and Co. had previously obtained a discount of a lac on the security of their promissory note, and they now applied for a loan of three lacs more, for twelve months, on the security of their landed property at Parell. The board appear to have entertained some doubts as to the legality of this transaction, for they resolved that, if the bank's solicitor were satisfied with the security offered, and the loan then current were paid off, the loan of three lacs might be granted for three months, renewable at the end of that time, if urgently required. The matter was therefore referred to Mr. Kelly, who gave an opinion, which we could not obtain; but we collect from the witnesses that he thought that, if the money were lent on a promissory note and land as a collateral security, the money was not lent upon land within the meaning of the Act. A mortgage deed was accordingly prepared by Mr Kelly, and the order of the directors was carried out, by discounting the promissory note of the applicants for two lacs only, and allowing the current advance to remain unpaid, it being distinctly understood between Mr. Robertson and Dossabhoy Merwanjee and Co. that the note was to be renewed for twelve months. It is difficult to imagine how a solicitor of ability could have given such an opinion or sanc-

tioned such a transaction. In other respects this transaction was characteristic of the banking operations of Mr. Robertson and the directors; for the time granted for repayment was not consistent with good banking, and the security turned out to be insufficient.

Loans still continued to be granted on promissory notes on a single name without any additional security. On the 11th May 1865, when the first advance of this kind came under the notice of Mr. Lushington, he objected, but he was overruled by the board, including Messrs. F. S. Chapman and A. Brown. Mr. Hannay observed: "I agree with our late president, Mr. Birch, that good "personal security is far better than any other." Mr. Brown admitted that all credit was for the time severely shaken, but thought that a refusal of all loans on personal security would precipitate a panic, and recoil tenfold on the bank. Mr. Lushington nevertheless adhered to his opinion, and on the 13th May wrote another minute, in which he observed: "Loans on personal security "are strongly advocated by our president and the late president, but I would "ask whether it is not upon such loans that our greatest losses are likely to "occur?" Mr. Lushington's observation was correct, as will appear hereafter.

The Governor of Bombay was evidently at this time paying attention to the affairs of the bank, for on the 8th of May he wrote to Mr. F. S. Chapman, inquiring whether it was true that the bank had advanced on 131 Back Bay shares at the rate of 25,000 rupees per share. To this Mr. Chapman replied on the 10th of May:—

"Your informant must, I think, be in error. To the best of my belief, up to last Thursday, the bank had hardly advanced at all on Back Bay shares, and in a few instances where they had done so the shares had been taken as collateral security. . . . . The other day Lushington and I spent some time in looking over the books, and have directed a statement to be prepared showing the number of individuals and firms to whom advances above one lac have been made, and the security by which they are covered. This statement will be ready by to-morrow." * * *

On the next day, Mr. Chapman wrote another note to the Governor, which merely stated the purport of a letter he enclosed from Mr. D. Robertson, the secretary, which was as follows:—

"Since the resolution was passed to advance on shares, the following shows how much has been given out in that way:—

Back Bays	35 shares	Rs.	6,94,750
Elphinstone Land Company	324 „	„	6,40,000
Asiatic Bank	890 „	„	3,04,250
Commercial Bank	3,580 „	„	12,99,800

"Besides the above, we hold a considerable number of Back Bay shares, which we took into safe custody from those names who have large loans from the bank on *personal security*, men such as B. H. Cama, Cursetjee Furdoonjee, and Kursondass Madhowdass. These loans were not nominally granted on shares, but it was thought well to have some security collaterally, independent of their personal standing. Several of these large loans Premchund tells me will be paid up very soon."

In less than a week after the date of Mr. Robertson's letter, Byramjee Hormusjee Cama, one of the persons named in it, failed for a large amount, owing the Bank of Bombay 17,71,682 rupees (177,168*l.*) At a meeting of his creditors on the 17th of May, it was resolved that his estate should be wound up under a trust deed, and Mr. D. Robertson was appointed one of the trustees, an appointment which was sanctioned by a resolution of the board on the same day. The winding-up of such an estate involved responsibility and care, and must have occupied much of Mr. Robertson's time and attention, inasmuch as he received, with the consent of the directors, 15,000 rupees (1,500*l.*) for his services. Although the 29th section of Act X of 1863 does not prohibit the secretary from holding such an appointment, it was the evident intention of that enactment to confine the secretary as much as possible to the duties of his office, which were

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both numerous and important, and quite sufficient to occupy his whole time and attention.

This failure was the commencement of a panic which prevailed in Bombay with increasing intensity throughout the remainder of May and the first part of June. There was a run on the Bank of Bombay, the cash in the bank was less than safety required, and the directors were afraid that the bank would suspend payment. In this emergency they applied to the Governor of Bombay, who immediately, on the 15th of June 1865, sent a telegram to the Viceroy (Sir John Lawrence,) narrating the facts, inquiring whether the Bombay Government might, if necessary, advance 150 lacs from the currency reserve, and stating that, unless the Viceroy sent immediate authority to the Bombay Government, it might "be too late to avert disaster, financial and political, "more extensive than the failure of the bank." To this telegram the Viceroy replied, that the Bombay Government were to use their discretion, and would be supported.

What financial and political disasters the Governor referred to is not very clear, but the failure of the bank might have affected the credit of Government, and that might have been a disaster more extensive, politically and financially, than the failure of the bank itself; but no such failure occurred, for the run on the bank ceased as soon as it was known in Bombay that the bank would be supported by Government, and consequently the necessity for any pecuniary assistance never arose.

On the 21st of June 1865, the Viceroy telegraphed to the Bombay Government, and inquired whether they had taken steps to ascertain the quality of the outstanding bills and securities which the bank held, and Sir Bartle Frere answered, in his letter of the 22nd of June, that this had been already done, and the result was better than he expected. "The advances," he adds, "on shares without collateral security were not large, nor the prices at which they were then valued high."

It is difficult to understand the last observation. In every advance on shares a promissory note or bond signed by the borrower was given, as well as the shares, and consequently there were no advances on shares without collateral security; but the term "collateral security" is constantly used throughout the correspondence in a way calculated to mislead, inasmuch as the security to which the shares were collateral is not mentioned. Sir Bartle Frere no doubt thought there was some valuable security besides the shares; but, if inquiry had been made at the bank, it would have been discovered that the shares were collateral to mere promissory notes, in a single name or in the name of joint borrowers, without sureties which were, in most cases, much less valuable than the shares themselves.

On the 22nd of June 1865 the Governor General in Council caused a letter to be addressed to the Bombay Government, requesting that a full report might be furnished him as soon as possible on the affairs of the bank, and specifying seven points on which he desired information :—

1. The precise position of the bank as regards its assets and liabilities.
2. What the losses of the bank had been since the commencement of the commercial crisis.
3. What was the amount of overdue bills.
4. What proportion of their amount might fairly be expected to be realized.
5. What were the prospects of the bank with reference to current bills.
6. Whether the provisions of the bank charter had been duly observed.
7. At what rates advances had been generally made on shares, and whether on shares at the market price, or at par value, or at any fixed rate below that amount.

About this time Sir Bartle Frere received another private note from Sir Charles Wood, dated the 18th of May 1865, in which he said :—

"Pray desire your Government directors to look after the bank's proceedings. Their advancing on shares, such as you have at Bombay, is contrary to all banking principles. It would be contrary to the charters of the banks of Calcutta and Madras. Unfortunately not so as to Bombay ; but it is not the less wrong."

This note was followed by a despatch from the Secretary of State, dated the 2nd of June 1865, in which, after referring to advances made by the Bank of Bombay on shares of joint stock companies, the Bombay Government were directed to take the earliest opportunity of restricting the Bombay Bank to the same business which was authorized to be transacted by the banks of Bengal and Madras, and to adopt measures to check, as far as possible, by means of the Government directors, advances of the nature referred to.

This despatch was immediately referred by the Bombay Government to the Government directors for their report ; and, on the 29th of June 1865, the Bombay Government addressed another letter to the Government directors, requesting them to draw up, for submission to the Government of India and the Secretary of State, a confidential report on the state of the bank at that time.

It is doubtful whether this letter of the 29th June was written after the receipt of Sir John Lawrence's despatch of the 22nd of that month. However that may be, the letter of the 29th June was never answered by the Government directors, who contented themselves with replying to the despatch of the Secretary of State of the 2nd of June.

The report of the Government directors, dated the 30th of June 1865, referred only to the advances which had been made by the bank on shares. It recited the resolution of the 12th April 1865, omitting the resolutions of the 6th August and 17th September 1863, and stated that the bank's unemployed balance on the 12th April was 2,91,69,603 rupees, and that, there being much demand for temporary accommodation, the directors had agreed to make advances on shares, and that in so doing they had not exceeded the powers of the charter. The report then proceeds thus :—

"4. The directors considered that the above measure would entail little or no risk, and would afford much relief at a time of considerable pressure. A total sum of 41,70,800 rupees was advanced on the security of the following shares :—

		Rupees
39	Back Bay shares, value at par -	1,95,000
936	Elphinstone Land shares, value at par -	9,36,000
905	Asiatic Bank shares, value at par -	2,26,550
3,580	Commercial Bank shares, value at par -	8,95,000
		22,52,550

"The above shares were taken as collateral security. Even in the present depressed state of the market, those of both the land companies are considerably above par, the Back Bays being quoted at about 100, and the Elphinstones at 50 per cent. premium on the paid-up capital. All advances of this description have for some time past been discontinued."

This report was in some respects incorrect, and was likely to mislead those who read it.

The omission of the recitals in the resolution of the 12th April 1865 concealed the fact that the directors had rescinded the decisions, which their predecessors had arrived at on two occasions.

The Government directors, moreover, could scarcely have forgotten Mr. D. Robertson's letter to one of them, of the 11th May preceding, in which he stated that, besides the advances on shares under the resolution of the 12th April, they had made such advances in other cases, taking the shares "nominally" for safe custody, but really as a security for the repayment of the loan.

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The number of shares deposited on account of three of [illegible] Kursondass Madhowdass, Cursetjee Furdoonjee, and Byramjee Hormusjee Cama—amounted to 115, and the money lent on the security of these shares and the promissory notes of the borrowers amounted to 34,25,000 rupees (342,500*l.*), so that, instead of stating that 39 Back Bay shares had been deposited, the report should have stated that advances had been made on at least 154 Back Bay shares, and that the total sum advanced was at least 75,95,800 rupees (759,580*l.*), instead of 41,70,800 rupees (417,080*l.*) And even this amendment of the report excludes from consideration all the advances on shares made at the branches, of which the Government directors were probably ignorant.

If the report, instead of stating that the shares were taken as collateral security, had said that the shares were collateral securities to the mere promissory notes of the borrowers, it would not have left such a comfortable impression on those who read it.

And, lastly, the words "all advances of this description have for some "time past been discontinued," though calculated to leave a pleasing impression on the mind of the Governor in Council, could scarcely have conveyed an idea that such advances had only been discontinued for twenty days.

The Bombay Government accepted this report, and forwarded it to the Secretary of State, with a despatch dated the 8th July 1865, in which they remarked that there could be little doubt that the value of the securities referred to in the report would speedily improve; that the Secretary of State would observe that the current rumours as to the extent of advances on Back Bay Shares were much exaggerated; and that the Bombay Government would reserve their opinion on the conduct of the elected directors of the Bank, until they were in possession of the promised report of the Government directors.

The Governor of Bombay must have forgotten Mr. D. Robertson's letter of the 11th May, when he stated that the rumours as to advances on Back Bay shares were much exaggerated; and if he had called upon the Government directors for a report in reply to the Governor General's letter of the 22nd June, he would probably have been reminded of the true state of the case, but no report was asked for by Government, or made until the following year, when another demand for information was made by the Government of India.

The despatch of the 8th July to the Secretary of State, and its enclosure, the report of the 30th June, were forwarded to the Government of India, and these documents constitute the only reply the Bombay Government ever gave to the Governor General's letter of the 22nd June 1865. They thus replied to only one of seven enquiries made in that letter, which is much to be regretted; for, if the whole of them had been carefully answered, the crippled condition of the bank would at once have been ascertained.

In July 1865 a tabular statement, showing all the outstandings of the bank, was prepared and laid before Mr. A. Brown, and it showed such a state of affairs that he took it over to Mr. Hannay's office, and the result of their consultation was a resolution of the board to declare no dividend for the past half-year ending the 30th June 1865. This was a wise resolve, for, notwithstanding the profitable business done by the bank during the previous half-year, the greater part of its capital was now lost. The directors however did not know this, for, in common with many others in Bombay, they had not yet realized the worthless character of the securities they held; but the fact appears to be that, of the advances made prior to the 30th June 1865, no less a sum of 1,68,45,653 rupees (1,684,565*l.*) has never been recovered.

About this time another transaction occurred which throws light on Mr. D. Robertson's relations with Premchund Roychund and his father Roychund [illegible]

chund. The latter had obtained a cash credit of a lakh from the bank, on the security of Government paper, and, on the 12th July 1865, 5,100*l.* and upwards was due from him on that account. On that day Premchund, or Roychund Deepchund, applied to Mr. Robertson to give up the Government paper, which he agreed to do, and immediately sent an order to that effect to Cassinath Babajee, the clerk in charge of the securities ledger, who referred to Mr. De Ga, the ledger-keeper of cash credits, to inquire whether Roychund's debt was paid off. Mr. De Ga then sent the following memorandum to Mr. Robertson :—

"Roychund has not paid off his cash credit account, Dr. balance Rs. 51,253-5-9 and Cassinath wants me to give up his Government notes as stands for security.—J. M. De Ga."

On this memorandum Mr. Robertson wrote, "Roychund is to pay off his loan. Give up the notes." The Government paper, amounting to Rs. 30,000 (3,000*l.*) five per cents., was accordingly given up, but the cash credit has never been paid off.

Mr. Robertson attempts to excuse this transaction on the ground that Roychund Deepchund represented that he had sold the Government paper, and was to get the money in a day or two, and would then pay off the loan. If this were true, it would not justify such an unbusiness-like proceeding; and it is clear that it was Mr. Robertson's duty to receive the money in exchange for the notes. We fear that the true explanation of this transaction is to be found in the relations then subsisting between Premchund Roychund and his father on the one hand, and Mr. Robertson on the other, which made it difficult for Mr. Robertson to refuse any request, however irregular, preferred by Roychund Deepchund.

The annual general meeting of the shareholders of the bank was held on the 7th August 1865, on which occasion the report of the directors was adopted by the meeting.

The 1st, 2nd, 4th, and 8th paragraphs of the report were as follows :

"1. The directors have now to submit to the proprietors a statement of the affairs of the bank up to 30th June last, showing a net profit for the half-year of Rs. 19,82,085–3–6, after providing for current expenses of establishment, interest on deposits, and deducting Rs. 22,836–9-2 for losses incurred at the branches.

"2. From the statement it will readily be seen, that under usual circumstances the directors would not only have been enabled to have declared a liberal dividend, but also to have carried a handsome sum to credit of reserve. Looking, however, to the terrible crisis through which we have just past (the most trying time, perhaps, for banks and commercial men ever seen in India), and considering the amount of liabilities current on 30th June, the directors have, after much anxious deliberation, resolved not to declare a dividend for the past half-year. This they have already intimated by circular to proprietors resident in Europe. * * * * * *

"4. Taking a rather unfavourable view of liabilities current on 30th June last, the directors estimate that the losses will not exceed 30 lakhs, but it is quite possible that the ultimate loss will be much less, so that there is every hope of shareholders receiving a fair dividend at the end of the current half-year.

"8. A very erroneous impression having gone abroad relative to the extent of the bank's advances on shares, the directors have to state that after the rescinding of an old rule in April last, only about 35 lacs were loaned to constituents of the bank on the collateral security of shares. The bulk of the loans granted during the past year were, as was the custom of the bank, granted upon personal security only; and during the crisis, when these loans became due, if constituents were unable to pay in full, the bank never hesitated to take what collateral security it could obtain. This, it is presumed, must have been the origin of the rumours as to enormous advances having been made upon shares."

This estimate of the bank's losses was afterwards admitted by the directors themselves to be erroneous, and the statements in paragraph 8 are equally inaccurate.

The object of that paragraph is to correct an alleged erroneous impression as to the extent of the bank's advances on shares generally, and the paragraph suggests, what it does not however assert, that no advances were made except

Third Period, 1st May 1865 to 24th April 1866.

under the resolution of the 12th April, and that such advances amounted to 35 lacs only. This ingenious statement may have been verbally correct, but it was substantially untrue. If it was verbally correct, the Government directors erred greatly when they stated in their report of the 30th June, that 41,70,800 rupees had been advanced under the resolution of the 12th April. It was substantially untrue inasmuch as advances were made on shares before the passing of that resolution, and all advances on shares, those made before and after the date of that resolution, amounted, at the head office alone, to at least 75 lacs.

The next sentence conveys the impression that only such loans on personal security had been granted as it had been the custom of the bank theretofore to grant, and that shares were only taken as additional collateral security when constituents were unable to pay; but both suggestions are inaccurate, for the old custom did not recognize advances on promissory notes in a single name, or in the names of borrowers only without sureties, and many of the shares were taken, not as additional collateral security, but under one contract and at the same time that the personal security was given.

About the latter end of August, and throughout the months of September and October 1865, the discovery that the termination of the war had not produced the expected supply of cotton from America occasioned a reaction in the cotton market, and the price of shares gradually rose. On the 28th August, Cowasjee Manockjee pressed his colleagues in the direction and the secretary to realise all shares deposited as security for overdue bills, when the sale would either pay off the debt or produce a sum approximating to the amount, but he failed to convince them of the wisdom of such a course. The directors, deluded by the appearance of returning prosperity, hoped for better prices, and feared another fall, if so many shares as the bank held were then thrown on the market. All the directors at this time were actuated by what has been called a "policy of forbearance," which seems to have resulted in their doing nothing, and failing to realise a single share. Some of the commercial directors were much engaged in share speculations themselves, and would naturally be averse to any step that would check the rise in prices. The secretary, Mr. Robertson, was also a large holder of shares, and he took this opportunity of selling some of them, and attempting to close his account with Premchund. If he had acted for the bank as he did for himself, much loss might have been averted.

See his evidence extracted ante.

Whilst this rise in prices continued, several debtors of the bank, (amongst others Jaiverilall Umiashunker and Burjorjee Rustomjee), who had deposited shares as security for their loans, urged Mr. Robertson to take advantage of the rise, and sell the shares, but Mr. Robertson declined to comply with their requests.

There was no doubt good reason for concluding that, if the bank threw all these shares on the market, a fall in their price would certainly ensue. It is also easy to be wise after the event, which has shown that this rise in the price of shares was only temporary. But, making every allowance for the directors, it was unwise to make no attempt to improve the position of the bank at this period, and not to do that which Mr. Robertson did for himself, quietly get rid of some of the shares held. The opportunity thus lost never occurred again. In November shares again fell in price, and gradually became more and more valueless, and, in the spring of 1866, the great panic, which destroyed so many banking institutions in England, completed the ruin of the commercial prosperity of Bombay.

On the 8th of September, Sir Charles Wood wrote to the Bombay Government acknowledging their despatch of the 8th July. He observed that the mere statement of the proceedings of the bank was sufficient to show how unjustifiable thay were, and he directed the Bombay Government to take measures for making

such an alteration of Act X of 1863, as would preclude the bank from making advances on the security of the shares of public companies not guaranteed by Government. Third period, 1st May 1865 to 24th April 1866.

This despatch was forwarded by the Bombay Government to the Bank of Bombay, and was characterized by the president, Mr. Hannay, as a "most tyrannical communication." On the 9th November, the directors replied that the Secretary of State had either been much misinformed relative to the transactions of the bank, or else had quite misunderstood the information supplied; that the bank "had never advanced money directly on shares, but during the "trying crisis that occurred in the early part of the year, the times were so "exceptional that the directors considered it prudent, seeing so much money "was lent on personal security only, to obtain as much collateral security as "possible when granting loans." And with respect to the proposed alteration of Act X they observed, "that, seeing the clause referred to has never been "taken advantage of," they did not see that any change was necessary or desirable.

If the directors had said that they had never lent money on the security of shares only, the statement would have been correct, but the statement that they never advanced money directly on shares is untrue. They had passed a resolution on the 12th April to enable their secretary to make such advances, and both secretary and directors had repeatedly admitted the fact that such advances had been made on shares as collateral security. But money lent at one time and under one contract on two securities collateral to each other, as, for instance, on promissory notes and shares, is not lent less directly upon one security than the other. It is lent directly on both securities, and this could not have been done unless section [illegible] of the Act had been taken advantage of.

In November 1865, there was [illegible] great pressure in the money market, and a fall in the price of shares, fol[illegible]d by another monetary crisis.

On the 13th January 1866, the Government of India addressed a letter to the Bombay Government, stating that, six months having elapsed since the critical state of the bank had called for the assistance of Government, and no substantial improvement having taken place, and the bank having omitted to gather up its resources, the Governor General in Council was of opinion that an examination into the affairs of the bank should no longer be delayed, with a view to such a revision of the terms upon which its business had been and was conducted as might seem expedient. The Governor General in Council considered that the examination should comprise an investigation, not only into the assets and floating liabilities of the bank, but into its transactions, especially during the last six months, and they expressed a hope that a full report would be forwarded without delay. On the 14th March, nearly two months after the receipt of this despatch by the Bombay Government, it was referred by them to the Government directors for their report.

On the 23rd January 1866, the directors of the bank resolved to pay a dividend to the shareholders for the past half-year ending 31st December 1865, at the rate of eight per cent. per annum. It has been suggested that this dividend was [illegible]aid out of capital, but the facts are as follows:—

	Rupees.	Rupees.
[illegible]ts of the year 1865 were	30,67,967	
The pro[illegible]ve fund was	10,56,983	
The rese[illegible]		41,24,950
[illegible]ors had computed the losses at	30,00,000	
The direct[illegible]4,83,000 rupees had been written off as (Of this [illegible]able).		
irrecove[illegible]nd for the half-year...	8,36,000	
		38,36,000
Add the divid[illegible]		
Balance of reserve fund ...		2,88,000

Third Period, 1st May 1865 to 24th April 1866.

It is true that this calculation afterwards proved to be erroneous, but the directors at that time believed it to be correct. The prudence of declaring such a dividend and drawing upon the reserve fund, is, however, another question, and there can be little doubt that it would have been wiser to keep the amount of this dividend in hand, until the true position of the bank could be ascertained.

On the 31st March 1866, Messrs. Chapman and Norman, the Government directors, presented their report in reply to the Governor General's letter of the 13th January 1866. The following are extracts from this report :—

"11. The 1st of July found the bank with very many of its formerly best constituents either insolvent or embarrassed. It was plainly seen that unless a general policy of forbearance was exercised, loans which would, in all probability, prove ultimately good, would, if the parties were pressed, result in immediate and heavy loss. The 'gathering up of resources' was thus a thing to be done gradually and not at once. The bank, however, had so far done so, that, when the heavy drain came upon it (115 lacs were withdrawn between the 19th September and 13th November), it had cash enough to meet that drain without requiring or asking for assistance. Loans and discounts were much circumscribed, and as far as could be known they were granted only for purely commercial purposes.

* * * * * * * *"

"12. On the 30th June the amount lent from the head office was 321 lacs, and on the 30th December 313 lacs, Of the former amount 79 lacs has been realized up to the 30th December, and 126 were overdue. The process of recovery has, it must be admitted, been slow, but then the very great delay attendant on all legal proceedings in Bombay, and the fact that the largest of the bank's debtors have not yet realized the proceeds of the current year's investments in cotton and other produce, must not be overlooked. * * * * * * * * * * * * * * * *" "We beg further to report that the total amount of loans and discounts outstanding on the 30th December at both the head office and branches was 381 lacs of rupees; that out of this 163 lacs of rupees are overdue, and that 30 lacs have, after a careful and impartial scrutiny, been set down as the amount of the probable eventual losses. From the balance sheet, a copy of which is annexed, it will be observed the bank will, after allowing for all losses, and after having paid a half-yearly dividend at the rate of eight per cent. per annum, be possessed of about three lacs in excess of capital."

"18. If any investigation, in addition to that recently made by the auditors appointed by the shareholders, is deemed necessary, we would suggest that it be conducted by competent accountants wholly unconnected with the past and present management, especially if such investigation is to have for its object how far each individual director, whether official or elected, is responsible for the losses that have been sustained. We have reason to believe that the present directors would have no objection to this course being adopted, solely for the information of Government, and that they court the fullest inquiry into the report of the auditors appointed by the shareholders."

"19. The operations of the bank, not only during the past six but during the past ten months, will, we believe, bear the strictest scrutiny; and there is no prospect of the loss of a rupee on a single new transaction entered into during that period."

"20. With regard to the future, the only practical difference between the charter granted to this bank and that granted to the Bank of Bengal is that contained in section XXXII of Bombay Act X of 1863, authorizing advances being made on shares; and we have reason to believe that the directors would have no objection to its being expunged, as for the last ten months this power has never been made use of."

Colonel Marriott, another Government director, wrote a separate minute in which he commented with considerable force on the report of his colleagues, and showed, as a result of the policy of forbearance, that no progress whatever had been made in the recovery of the large advances of an objectionable character outstanding in June.

The twelfth paragraph of the report states that 321 lacs was the amount lent from the head office on the 30th June, and that of that amount 79 lacs had been realized, and 126 lacs were still overdue, but it omits to state what had become of the other 116 lacs. If the writers of the report had been less ready to adopt a pleasant view of matters, they would have explained that these 116 lacs were in much the same state as the 126 lacs overdue, inasmuch as they represented advances which had been renewed because they could not be recovered.

The statement that 163 lacs were actually overdue at the head office and branches, and yet that the loss would only be 30 lacs, was, on the face of it, a very sanguine estimate, as the statement itself implies that the personal security of the debtors had become valueless, and that all the bank had to look to was the realization of the shares deposited, and the estates of insolvents.

The statement that there was no prospect of the loss of a rupee on the transactions of the last ten months, unfortunately proved incorrect, and would never have been made, if the Government directors had understood the danger of advancing upon such personal security as the bank was still in the habit of taking. The advances made in these ten months at the head office alone which ended in loss amounted to Rs. 50,09,115 (500,911*l.*), and the actual loss incurred thereon is Rs. 19,51,077 (195,107*l.*)

But the last statement, that the power given by section 32 of Act X of 1863 had never been made use of during the last ten months, was singularly inaccurate. During those ten months, from the 1st June 1865 to the 31st March 1866, there had been no less than 25 advances directly on shares, irrespective of numerous other transactions in which shares had been taken as security subsequently to the advances being made. That this was the practice of the bank is also apparent from a letter of Mr. Hannay, dated the 13th August 1865, in which he says:—

"Now, were men like Candass Narrondass or Sir Jamsetjee in former times wanting a loan of five lacs, we would have given it them on personal security and been right. Should these men want a loan this month, and deposit with you say Back Bay shares for the equivalent about par, I would grant the loan for three months at once."

And yet Mr. Chapman says that he obtained the information for this report from Mr. Hannay.

In March 1866, Mr. Hannay, who was about to leave for England, was requested by his colleagues to define what he considered should be the powers of the secretary. To enable him to do this, Mr. Hannay wrote to Mr. D. Robertson, and asked him what he considered he had power to do. Mr. Hannay's letter to the directors, and Mr. D. Robertson's letter to him,* are too lengthy to be set out, and too important to be abridged. The latter shows that Mr. Robertson still claimed great powers, and, among others, the power to grant cash credits and loans on personal security, without any limit as to amount; but Mr. Robertson added, that of late the times had been so exceptional, that he had granted very few advances without consulting, at least, one director. That he had these and other large powers was not disputed by Mr. Hannay, who proposed in his letter to the directors to add but few additional restrictions. Mr. Hannay's letter was adopted by the board as a correct view of what the secretary's powers ought to be, and his suggestions were, on the 19th March 1866, embodied in the only byelaws ever passed by the directors; but these byelaws were never sent to the Governor in Council for sanction, and consequently never became valid byelaws, according to the 45th section of Act X of 1863.

Mr. Hannay retired from the direction, and returned to England, in the beginning of April 1866. He was succeeded as president by Mr. F. F. Lidderdale, and Mr. A. Brown, who had left the board in December 1865, was re-elected a director on the 17th April in Mr. Hannay's room. Colonel Marriott, who was only a director about a month, retired early in April, and Mr. F. S. Chapman sat at the board for the last time on the 24th of that month.

This brings us to the end of the third period of the bank's history. The directors during this period were Mr. Hannay, president, Messrs. Lidderdale, A. Stewart, Tracey, Brown, Ryrie, Premchund Roychund (for two months only), Cowasjee Manockjee, and Rustomjee Jamsetjee Jejeebhoy, commercial directors, and Messrs. F. S. Chapman, Lushington, Norman, and Colonels Ballard and Marriott, Government directors.

* Vide Exhibits A 34 and A 35 in Appendix to Minutes of Evidence.

Third Period, 1st May 1865 to 24th April 1866.

Mr. Ryrie and Colonel Marriott were directors for so short a time that they cannot be held responsible for the policy of the bank during this period. The same observation applies to the Government director, Mr. Norman. Although his name is attached to the report of the 31st March 1866, his colleague, Mr. F. S. Chapman, very fairly admitted, that Mr. Norman could not be held responsible for its statements, he having joined the board only a month before.

Mr. Hannay was an attentive and industrious president, but this is all that can be said in favour of his administration. His minutes are written in an off-hand style, not calculated to impress others with a sense of his prudence, and many of his recommendations of applicants for loans were most unfortunate. Being himself much mixed up in share transactions, he viewed such matters with a lenient eye, and his speculation with Mr. Blair shows that he had no proper views of his duty as president of a great Government bank. There is no evidence that he used the bank's money for his own purposes, or that he was actuated by any dishonest intention; but there is little doubt that, in his advocacy of the resolution of the 12th April 1865, he was influenced by a desire to keep up prices at that time.

Mr. F. S. Chapman and Mr. Lushington, the Government directors, attended to the business of the bank, and endeavoured to reform its practice, but they found its affairs in an embarrassed condition, and had many difficulties to contend with. That they failed to do more must be attributed to their ignorance of banking, or even commercial business, and the reliance which they were therefore obliged to place on the statements of their colleagues. Their reports are unfortunately characterized by a tendency to "make things pleasant," but neither of them intended to misrepresent facts, and their inaccuracies must be referred to the sources from which their information was supplied.

None of the Government directors of this period were engaged in speculations. They received no allotments during their tenure of office, and there is no evidence that any of them were actuated by any improper motive.

Of Premchund we shall speak hereafter. Two of the directors, Rustomjee Jamsetjee Jejeebhoy and Cowasjee Manockjee, obtained loans from the bank when they were in office. Considerable loss has been incurred on these accounts, but their position at this time was such, that the borrowing of this money did not necessarily involve any impropriety on their part, and Rustomjee would probably have paid off his debts if he had not voluntarily rendered himself responsible to the bank for those of his brother Sorabjee. With the exception of those hereinbefore named, none of the directors used the bank's money for their own purposes.

Fourth Period, 24th April to 10th December 1866.

We now come to another period of the bank's history, from the 24th April to the 10th December 1866, during which the ruin of the bank was completed.

On the 26th April 1866, Mr. Robertson was informed that Premchund Roychund was in immediate want of 25 lacs (250,000*l.*), to prevent his stopping payment. Mr. Robertson immediately informed Mr. Lidderdale, the new president, who summoned a special meeting of the directors for the same afternoon.

The directors present at this meeting were Messrs. Lidderdale, Brown, A. Stewart, Tracey, Norman, and C. E. Chapman, the new Government director, who had only succeeded Mr. F. S. Chapman on the previous day. The following managers of banks in Bombay also attended by invitation:—Mr. Moir of the Oriental, Mr. Campbell of the Chartered Mercantile, Mr. Morrison of the Asiatic, and Mr. Thomson of the Bank of Hindustan. Mr. Lidderdale opened the discussion by stating that Premchund was in difficulties, and would suspend payment next day, unless assisted; that he required 25 lacs to carry him on, which was

a larger sum than the Bank of Bombay felt justified in advancing, and that as the question of supporting Premchund was a matter of interest to all the banks in Bombay, he had convened the managers present to consider the matter. A discussion thereupon arose, during which it transpired that Messrs. Morrison and Thomson were interested on behalf of their banks in supporting Premchund; and, although Messrs. Moir and Campbell disclaimed any such interest, it was agreed by all present, that Premchund's failure would be followed by a general depreciation of all shares and mercantile securities, and produce a crisis such as they had not before seen, and that it was therefore desirable to grant him the loan on good security. A desire being expressed for further information as to Premchund's affairs and the security to be given, the meeting was adjourned to Mr. Lidderdale's bungalow at 7 A. M. the next morning.

The narrative must now be interrupted, to show Premchund's position at this time with regard to the Bank of Bombay, and the influence which he brought to bear on the directors.

On the 26th April, Premchund was indebted to the bank as follows:—

	Rupees.
Overdrawn account	5,00,000
Fixed loan	9,00,000
Joint promissory note with Mayabhoy Premabhoy ...	3,50,000
Bills in the hands of branch agents	6,00,000
	23,50,000

He had also borrowed from the bank a further sum of two lacs in the name of Khuttow Khemjee, but this was not known to the secretary or directors at this time.

Premchund Roychund was in a position to exercise great influence over the deliberations of the directors; an influence the more dangerous because it was not seen.

The relations subsisting between him and the secretary have been already shown, but his relations with Mr. Tracey, one of the directors, were of a still more intimate character. Mr. Tracey had been jointly engaged with Premchund in many speculations, the latter supplying the money to such an extent that at one time the amount due to him from Mr. Tracey amounted to upwards of 29 lacs; and although this debt was afterwards greatly reduced, their continued speculations ended in another large balance of 3,86,836 rupees due from Mr. Tracey to Premchund, which the latter, Mr. Tracey being hopelessly involved, wrote off to profit and loss in November 1865. About ten days before this meeting, Mr Tracey had borrowed four and a half lacs from the Asiatic Bank in the name of his firm for Premchund's purposes; and, although unable to discharge his liability to Premchund, he on the 19th April had given the Bank of Bombay a guarantee for Premchund's overdrawn account to the extent of three lacs, and when this overdrawn account came to the knowledge of the board at a subsequent period, Mr. Robertson assured them, in Mr. Tracey's presence, that this was a guarantee by the firm of Ritchie, Steuart and Co., of which firm Mr. Tracey was then a member. This statement was wholly untrue, and both Mr. Tracey and Mr. Robertson must have known it to be so; and it shows that they had been acting in concert to keep up Premchund's credit with the bank. Premchund has admitted that Mr. Tracey was "working for him" to procure the loan of 25 lacs from the bank.

The next morning (April 27th) the same persons who were present at the previous meeting, together with Mr. Müller of the Comptoir d'Escompte, Mr. Battie of the Commercial Bank, and Premchund Roychund himself, met at Mr. Lidderdale's bungalow. Mr. Kelly, the solicitor of the bank, who had been

Fourth Period, 24th April to 10th December 1866

sent for by Mr. Lidderdale, was also present. Premchund sat in the verandah, and during the proceedings was communicated with through Messrs. Tracey and Robertson, Mr. Tracey being the chief exponent of Premchund's statement.

The meeting confined their attention to two points, first, the amount of Premchund's pressing liabilities; and, secondly, the sufficiency of the securities offered.

As to the first point, they were shown a paper, which was almost unintelligible, but which professed to be a statement of Premchund's pressing liabilities. This statement was not verified in any way; but Mr. Tracey assured the meeting that the difficulty was a temporary one, and that Premchund had a large sum locked up in the Dhollerah districts, which he, Mr. Tracey, knew would be received on the next settling day. The meeting did not require the production of a full statement of Premchund's affairs, or inquire whether, if the 25 lacs were advanced, his insolvency would be averted. Mr. A. Brown suggests that the time did not allow of such a full inquiry, and that the directors trusted entirely to the security.

As to the securities, Premchund proposed to deposit his jewels, and the title deeds of his landed property, and to give the joint promissory note of himself, his father Roychund, Candass Narrondas, and Kursondass Madhowdass.

The jewels were estimated in the memorandum* produced at the meeting, at 20 lacs. They were not produced, and none of the directors had ever seen them. Many of those eventually deposited turned out to be nominally the property of his father.

The landed property was mentioned in the memorandum also, and was estimated at 26 lacs at least. Some of the houses were known to the directors, but they relied chiefly on the estimate of one of their colleagues, Mr. Norman, who, as Collector of land revenue in Bombay, had considerable experience in such matters. He estimated the whole landed property at 14 lacs, which is now admitted by him to have been an over-estimate by more than a lac. There was considerable discussion on this point, and constant references were made to Premchund through Mr. Tracey, and, on one occasion, Mr. Tracey returned with a message from Premchund, that, if the directors gave him so much trouble, he would prefer stopping at once.

Some of this landed property turned out to have been bought in the name of his father, but, whether it belonged to him or not, it was given up by him, together with other property, for the benefit of Premchund.

The signature of Roychund to the joint promissory note was of little additional value, and he has evaded the payment of this and other debts, by absconding into the Guicowar's country. Candass Narrondass was a mere tool of Premchund, and has since passed, somewhat ignominiously, through the Insolvent Court of Bombay. Kursondass Madhowdass failed on the 16th May 1866, and his trustees repudiated their liability on the promissory note.

It was at last agreed upon by all present, that a loan of 25 lacs should be granted to Premchund for six months, on the security offered, and that the Bank of Bombay should subscribe ten and a half lacs towards the loan, that the Oriental Chartered Mercantile, Asiatic, and Commercial Banks, and the Comptoir d'Escompte, should each subscribe two and a half lacs, and the Bank of Hindustan two lacs, to make up the total sum of 25 lacs. It was understood also, that the money was to be advanced in the first place by the Bank of Bombay, which was to be recouped by the other banks to the amount of their respective contributions.

Mr. Lidderdale directed Mr. Kelly to prepare a deed to carry out this agreement; but no memorandum or minute of the arrangement entered into was made by the secretary, the solicitor, or any one present at the time. Mr. Robertson

* Vide Exhibit A 59 in Appendix to Minutes of Evidence

says he was too busy going backwards and forwards to Premchund; but Mr. Chapman says that Mr. Tracey was the chief exponent of Premchund's statements, and Mr. Robertson had plenty of time towards the close of the meeting, when inquiries ceased, to record some minute of the agreement come to. Mr. Kelly was supposed to be taking notes, but it is not clear that he did take any, and they have never been produced. It was his duty to see that some memorandum of the agreement was signed by all parties, or that a regular vote was taken upon some resolution embodying the agreement, before a rupee of the bank's money was advanced.

Mr. Robertson also failed to discharge his duty in not informing the directors at this meeting of the true state of Premchund's account with the bank. Mr. C. E. Chapman was only appointed the day before, and knew nothing of the bank's affairs; and, although Mr. Robertson appears to have told Mr. Brown the amount of Premchund's bills held by the branch agents of the bank, that statement did not disclose the whole case. If he had told them, as the fact was, that Premchund was already liable to the bank to the amount of 23½ lacs (235,000*l.*), we doubt whether any director, except Mr. Tracey, would have done more at this crisis than endeavour to obtain further security for so large a debt.

But every one neglected his duty to the bank on this occasion. The directors ought to have ascertained the state of the account between the bank and Premchund. If they had done this, the loan would not have been granted, or, if granted, it would not have been treated as an independent transaction, but as one that required security for the former advances as well as the new. The directors, moreover, instead of restricting their inquiries to the narrow question, whether the 25 lacs would carry Premchund through the difficulties then pressing upon him, should have ascertained whether the loan would prevent his ultimate failure; and if it was impossible to do this at that time, the directors were bound to be particularly careful as to the security given, and the perfecting of such security, before any money was parted with. But nothing could be more unbusiness-like than their proceedings with regard to the security. They relied on Premchund's statements as to the value of the jewels, and on the hasty calculations of Mr. Norman as to the value of the land. They neglected to see that the terms of the agreement were reduced into writing, or that any memorandum of it was signed by the managers of the other banks before they left the room. They neglected to order that no advance should be made until the instrument directed by Mr. Lidderdale to be prepared was executed, and the securities lodged. Their conduct in all these respects was most reprehensible, but the conduct of their officers was simply disgraceful. The directors, of course, thought that the solicitor and secretary would see the transaction carried out regularly, and could not have foreseen that all the money would be paid away before the full amount of security stipulated for had been given.

On the same day, Mr. Lidderdale called on the Governor, Sir Bartle Frere, and informed him of what had taken place, and the latter, believing, as he says, the transaction to be still *in fieri*, approved of the advance being made.

On the 27th April some of the title deeds relating to the landed property were deposited with the bank, on which day eleven lacs were paid on account of this loan, and on the following day a further sum of four and a half lacs was paid on Premchund's cheque to the Asiatic Bank, and a sum of one and a half lacs to the Bank of Hindustan. This payment to the Asiatic Bank discharged the before-mentioned debt incurred by Mr. Tracey for Premchund, and explains in some measure Mr. Tracey's endeavours to procure the loan for Premchund.

Some of the jewels were deposited in the bank on the 29th of April, with a list setting out their respective values. They were given into the care of

Fourth Period, 24th April to 10th December 1866.

Mr. Fraser, an officer of the bank, and on the 1st of May a jeweller, named Courvoisier, was called in to value them. He had only gone over a few of the jewels, when Mr. Fraser, finding them to be valued at so much less than he expected and was stated in the list, closed the jewel case, and went down stairs, with the view of telling the directors what Courvoisier's opinion was. He had to pass through the secretary's room to get to the board room, and meeting there the secretary and Mr. Tracey, he told them what the valuation was as compared with what they had been led to believe. Mr. Tracey expressed his belief that the man did not know what he was about, and said that they had cost a very large sum of money. Mr. Fraser, believing that he had discharged his duty, returned to his room, and proceeded with the examination of the jewels. Notwithstanding the importance of this communication, Mr. Robertson did not repeat it to the directors, and continued to advance money to Premchund.

Premchund Roychund failed in the month of August 1866, and the securities taken proved wholly insufficient. The land, which Mr. Norman insists he ought to have valued at 12,71,000 rupees, was sold for 5,22,000 rupees. The jewels realized two and a half lacs, the promissory note was of less value than the paper it was written on; and the balance due from Premchund on his whole account is no less a sum than 24,73,693 rupees (247,369*l.*), which appears to be irrecoverable.

The foregoing narrative has attempted to pourtray the conduct, character, and proceedings of Premchund Roychund. He was a director when many of the transactions to which we have referred took place, and he was at all times the trusted adviser of the bank. He acted without any sense of responsibility or duty. Without honour or principle himself, he corrupted the secretaries, never disclosed to his brother directors the business the bank was doing, and used its money for his own purposes, and to the ruin of the interests of the bank.

In May 1866, the directors, not content with their last gigantic loan in support of Premchund, determined to aid the Asiatic Bank in its difficulties. To narrate all the complicated transactions between the banks fully, would occupy more space than could possibly be devoted to it in this report, but the material facts, stated briefly, are as follows:—

On the 14th May 1866, the Asiatic Bank obtained a cash credit from the Bank of Bombay for 15 lacs, certain securities being deposited, and the deposit of others being promised, and this cash credit was subsequently, on the 25th of May, increased to 20 lacs. Instead of opening a separate cash credit account for this amount, Mr. Robertson, for some inscrutable reason, allowed this cash credit to be mixed up with the current deposit account of the Asiatic Bank in the books of the Bank of Bombay. In consequence partly of the failure of the Asiatic Bank to deliver some Government paper, and to pay more than 26,000*l.* out of 55,000*l.* promised on the arrival of the China Mail at Calcutta, when the first cash credit expired on the 13th July, there was a balance due to the Bank of Bombay of 11,78,838 rupees (117,883*l.*), and only one lac of good negotiable security to cover it. It became necessary, therefore, to extend the cash credit, or to press for payment, and the bank resolved on the former course, and extended the credit till the 1st September, fresh securities being deposited, and a new arrangement made.

On the 23rd August, the directors discovered that 5 lacs, which the Asiatic Bank had promised to procure from Calcutta, had not been received, and they called on Mr. Morrison for an explanation, and expressing themselves satisfied therewith, they obtained, in substitution for these 5 lacs, further security of an inferior description generally, but including an assignment of proceeds of Government paper and Bank of Bengal shares, which the Asiatic Bank had transmitted to Calcutta for sale, and which were estimated at 1,50,000 rupees (15,000*l.*)

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ance due from the Asiatic Bank to the
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few d ced to 19,66,567 rupees (196,656*l.*). M
Robert of the state of this account, for Mr. De G
never passed a cheq Asiatic Bank without sending him a memorandur
stating the amount overdrawn, and obtaining his sanction for its payment.

These transactions are specimens of the bad book-keeping and bad banking of the Bank of Bombay.

The cash credit ought to have been kept separate from the current deposi account, and as securities were from time to time realized, the cash credit shoulc have been reduced by the amount of realizations, and there would have been nc difficulty in doing this, if the one account had not been mixed up with the other. Instead of this, the good securities at first given were from time to time realized, and yet the full amount of the credit was allowed to the Asiatic Bank, although the securities had been greatly diminished.

The cash credit should not have been extended on the 13th July, or if extended, it should only have been for the balance then due. The Asiatic Bank had already failed to fulfil its promises as to security, and this was sufficient warning that it was no longer to be trusted, and it should have been called on to furnish good negociable security in lieu of the Government paper and money from Calcutta which had never come to hand. Instead of doing this, the board extended the credit for the full amount, taking inferior securities which have taken years to realize, and were again repeatedly deceived as to sums promised to be paid on this cash credit account.

The conduct of Mr. Robertson throughout this transaction, and particularly his allowance of the overdrafts after the expiration of the cash credit on the 1st September, is inexplicable. The fact that he was a friend of Mr. Morrison, and a shareholder in the Asiatic Bank, is hardly sufficient to account for such a serious dereliction of duty.

On the 16th June 1866, the last report of the Government directors, dated the 31st March, was forwarded to the Governor General, who replied to the communication in a despatch dated the 13th July, in which, after remarking that the embarrassments of the bank were wholly attributable to abuse of powers which ought not to have been conferred upon it, and which were not possessed by the Banks of Bengal and Madras, he proceeded as follows :—

"The Governor General in Council, though fully sharing in the desire of the Bombay Government to uphold the credit of the bank, cannot suffer the revenues of India to be indefinitely pledged to the support of an establishment of the affairs of which he is kept in ignorance. The information furnished by the report of the directors contains little more than is to be found in the general statements of assets and liabilities published in the newspapers. That there may be no further misapprehension on this subject, the statement which his Excellency the Governor General in Council requires, is comprised in the following particulars :—

"I. The banks, firms, and individuals to which the bank is under advances.

"II. The dates and amounts of such advances.

"III. The securities upon which they have been made, and the sums advanced upon each security.

"16. The bank should have no hesitation in furnishing these particulars, which, having regard to the peculiar circumstances at present affecting the relations of the Government of India and the bank, His Excellency the Governor General in Council is bound to demand."

Fourth Period, 24th April to 10th December 1866.

The Government of Bombay com
General were of such a character, th
should not be called on to answer the
safely sent to the Government of Ind
ing the Governor General's communic

On the 6th August 1866, the ann
of the bank was held in Bombay, at wh
confirmed. This report was very indisti
forth that the capital had been encroache
out stating that sum to be the total loss
30 lacs previously announced, and the acc
no explanation on this point.

The Bombay Government appear to have u[illegible] of the case, and were anxious to get some independent and accurate opinion as to the position of the bank. It so happened that Mr. E. Harrison, a gentleman of some standing in the Financial Department of the Government of India, was then in Bombay, and it was suggested to the Governor that he might be employed for this purpose. The Governor immediately obtained the consent of the Governor General, and then, anxious to throw no discredit on the bank, requested the directors to apply to the Government for a committee to review their estimate of the bank's losses. The directors complied with this request, and a committee, consisting of Messrs. Harrison, A. J. Hunter, and Dinshaw Manockjee, was accordingly appointed.

It appears from the report of the committee, dated the 8th September 1866, that they examined the valuation laid before them of the assets of the bank on the previous 30th June, and were of opinion that that statement afforded proof of the fairness and care with which the directors had estimated the position of the bank at that time; but they were also of opinion, for the reasons stated in their report, that a large addition, no less a sum than 34,49,500 rupees (344,950*l.*), ought to be made to the directors' estimate of the losses of the bank.

On the 19th September 1866, this report, with other correspondence, was sent to the Government of India, who, on the 3rd October, telegraphed to the Bombay Government for the statement referred to by the committee in their report. The Government of Bombay immediately applied for it to the bank, and on the 6th October, Mr. D. Robertson replied that the statement "contained information with reference to the committee's estimates *which the directors alone* "*could understand, and that the directors therefore considered it unnecessary* "*to forward a copy to Government.*" It does not appear that the Government of Bombay took any further steps to obtain this document, or that they returned any answer to the telegram of the Government of India.

In the meanwhile, the Government of India had written twice to the Bombay Government,* reminding them that the despatch of the 13th July still remained unanswered, and pressing for a reply, but the Bombay Government was disinclined, for the reasons before stated, to furnish the particulars required, and now thought that the report of the committee would be a sufficient answer. That report however had no quieting effect on the Government of India. Contrasting its statements with those of the directors' report, the wide discrepancy between them rendered it necessary, in the opinion of that Government, to insist on the production of the detailed information called for on the 13th July. The Government of India wrote on the 3rd October, that they thought it their duty as the largest shareholder in the bank, and as trustee of the treasury balances in their custody, to require that the full and unreserved exposition of their affairs, so repeatedly demanded, should no longer be withheld.

* See letters of 23rd August and 13th September 1866, Blue Book, p. 57.

On the receipt of this despatch, the Bombay Government replied to the Government of India in a letter dated the 22nd October 1866, from which the following is an extract :— Fourth Period 24th April to 10th December 1866.

" His Excellency the Governor in Council would, with deference, submit that the bank could not furnish officially full particulars of its dealings with individuals, without violating the confidence reposed in it by its constituents, and that a tabular abstract, containing classified information on the points specified, would afford to those at a distance, and imperfectly acquainted with the recent commercial history of Bombay, little or no real knowledge either of the amount of judgment displayed in making advances, or of the present prospect of recovery. A careful appreciation of the value of the assets and liabilities of the bank appears to this Government to have been recently supplied by the independent committee of which Mr. E. F. Harrison was, with the permission of the Government of India, appointed a member. His Excellency the Governor in Council will however direct a statement in the annexed form,* to be prepared and submitted with the least practicable delay.

" 10. If the Government of India are not satisfied that the report referred to affords a faithful and accurate statement of the present position of the bank, His Excellency the Governor in Council would beg to suggest that other officers be selected by the Government of India to inquire into the accounts on the spot, and to report on any further points on which information may be desired, but that the bank should not be asked to furnish details which it could not, with any regard to its obligations to its customers, send out of its own office to any but its own officers.

" 11. In explanation of the delay that has occurred in replying to these references, I am desired to point out that, as His Excellency the Governor in Council supposed that the principal wish of the Government of India was to ascertain the actual position of the bank, and not to enter into a discussion on the past, he adopted the only effectual course that was open by taking steps at once to have the estimates of the directors revised by the most competent and independent committee that could be appointed by the directors. The result of this inquiry was promptly reported to the Government of India."

The statement referred to in the foregoing extract was soon afterwards prepared and sent to the Government of India.† It bears date the 23rd November 1866, and gave no information from which that Government could form any estimate of the true position of the bank. Instead of giving a list of all advances, it gave one of advances exceeding three lacs which were overdue on the 30th June 1866. It avoided all mention of sums below that amount, or of any advances that had been renewed, many of which were for larger amounts than three lacs, and were in much the same position as advances overdue. It avoided all mention of Premchund's great loan of 25 lacs, because the promissory note had not fallen due on the 30th June, although Premchund and Kursondass Madhowdass were insolvent on the 23rd November 1866, and the other co-obligants in much the same position. It omitted to set forth the large debt of more than 19 lacs due from the Asiatic Bank, although the cash credit had expired on the 1st September, and the Asiatic Bank had failed on the 26th of that month. A more unsatisfactory statement could scarcely have been framed.

The Government of India appear to have acted rightly from the commencement to the end of the difficulties of the bank. It was their duty as the guardian of the public balances in the bank, and as the largest shareholder therein, to ascertain its true position, and they did their best to do so. The constitution of the bank, and the employment of Government directors, more than implied that the Government had the right to ascertain whatever it desired to know respecting the bank. The Government directors were themselves bound to know the exact position of the bank, and it was no part of their duty to conceal anything from Government, but on the contrary to let the Government see with their eyes all that they saw. If the Government directors had a right to see a list of advances, so had the Government for whom they acted.

The inquiries of the Governor General were necessary to enable him to form an independent judgment on the affairs of the bank, and if the directors

* Vide Exhibit marked C 5 in Appendix to Minutes of Evidence.

† See tabular statement, dated 23rd November 1866, Blue Book, p. 96.

Fourth Period, 24th April to 10th December 1866

of the Bank of Bombay had been asked to furnish the information required, they might have complied with the request. It seems to have been assumed however that the board would refuse; but they did not refuse to allow the Government directors in May 1865 to prepare a list of all advances above one lac, and of the securities by which they were covered, and if the board had refused, the Government directors could not have followed their example, and must have complied with the orders given them.

If the right to obtain this information and the power to obtain it be clear, the propriety of asking for it at this time is equally apparent. After the repeated estimates of the bank's position, all widely differing from each other, after the acknowledgment that the committee had accepted a statement which the directors alone could understand, it was surely necessary to institute a searching inquiry into the affairs of the bank. It is said that the directors would have resigned if such an inquiry had been instituted, but this is not proved, and is not very probable. The directors, though incompetent as bankers, were not dishonest, and had nothing to conceal, and had in fact no separate interest from the shareholders, who probably considered this right of the Government to supervise the affairs of the bank as one of the safeguards of their property. The directors could not properly object to a private inquiry founded on a full statement prepared by themselves, and would certainly have preferred the adoption of that course to the more public inquiry conducted by officials of the Government of India sent expressly for that purpose, which was suggested by the Government of Bombay.

It is said that privacy could not have been secured, and that there would have been great danger of the contents of such a document transpiring, if sent to the other side of India. But, whenever the Government of Bombay wished to correspond privately with the Government of India, they did not hesitate to do so, and we doubt not that, if the Bombay Government had desired to send the statement required by the Governor General, they could have sent it with as much privacy as any other communication.

It is true that at this time the Bank of Bombay was actually ruined, and no amount of information could have enabled the Government of India to improve the position of the bank. But if this information, which had been called for on the 13th July, had been promptly communicated, the Bombay Government would never have been permitted to pass an Act reducing the capital of the bank by one-half merely, thereby giving a legislative sanction to the erroneous belief that only one-half of the capital was lost.

In October 1866, the Legislative Council of Bombay, in accordance with the directions of Sir Charles Wood, passed an Act (No. XV of 1866) depriving the bank of the power to advance on shares. The Act might have been passed sooner had not the Bombay Government rested on the assurance of their directors, that all advances on shares had been discontinued since June 1865.

We shall only relate one more banking transaction of the Bank of Bombay, and then bring the narrative of this period to a close. In December 1866, Roychund Deepchund proposed to the board to allow him to sell his Bank of Bombay shares (which were stopped by the bank on account of his debt), and to buy Back Bay shares with the proceeds, representing that the Back Bay shares would rise in value, and that the bank would thereby recover a larger amount of their debt. The board consented to this arrangement, as they had done in a former case, when Dossabhoy Dhunjeebhoy, Premchund's manager, proposed a similar speculation. Although the Bank of Bombay gained a little by both these transactions, that circumstance does not diminish the impropriety of a bank entering into joint speculations with its own debtors.

The directors during this last period (24th April to 10th December 1866) were Messrs. Lidderdale and Lushington, successively presidents, Messrs. A. Brown, A. Stewart, Tracey, G. M. Stewart, Macdonald, commercial directors, and Messrs. Norman and C. E. Chapman, Government directors. Fourth Period, 24th April to 10th December 1866.

Messrs. G. M. Stewart and Macdonald were elected directors on the 14th August, after the date of the great loan to Premchund, and the granting of the second cash credit to the Asiatic Bank, and are consequently not responsible for the disasters of this period.

The conduct of the other directors was characterized by incapacity. In the matter of Premchund's loan (to which Mr. Lushington was not a party) and the Asiatic Bank credit, they evinced a want of knowledge, not only of banking, but of the ordinary mode of transacting business. They are entitled however to the remark, that they were scandalously served by their solicitor and their secretary, and that they had no reason to suppose that their colleague, Mr. Tracey, had any other interests at heart than those of the bank.

The Commission have not examined Mr. Tracey. He left England shortly before they returned from India, although he had information that they were about to return, and that the evidence taken in India reflected on his character.

The conduct of the secretary Mr. Robertson has been already commented on. He placed himself for his private gain in a position in which his own interests were at variance with his duty to the bank; he failed to do his duty on several occasions under circumstances calculated to excite grave suspicion, and by the recklessness of his advances proved himself unfit for such an office as secretary of the Bank of Bombay.

The result of Mr. D. Robertson's management, excluding his advances when deputy secretary, may be summed up shortly thus. Of the advances made at the head office, and outstanding when he retired, the sum of 37,56,073 rupees (375,607*l.*) still remains unrecovered. Of the advances made at the branches (which were virtually closed during the greater part of its administration), the sum of 13,99,516 rupees (139,951*l.*) still remains unrecovered, making a total loss in Mr. D. Robertson's time of 51,55,589 rupees (515,558*l.*).

The total loss by advances on shares during the administration of Messrs. Blair and D. Robertson at the head office and branches, was 41,62,007 rupees (416,200*l.*), but this does not include the payments made in respect of the bank's liability on shares of the Commercial and Asiatic Banks, under a recent compromise effected by the liquidator.

The total loss at the head office and branches by advances during the same time on promissory notes in the name of a single person or firm was 80,10,732 rupees (801,073*l.*).

The narrative of the last period of the bank's history (from the 10th December 1866 to the 13th January 1868) need not be long, for the bank was now ruined, and virtually in liquidation. Fifth Period. 10th December 1866 to 13th January 1868.

On the 15th January 1867 at a special general meeting of the shareholders, the capital of the bank was reduced 50 per cent., the nominal value of each share being reduced from 1,000 to 500 rupees; but, whatever may have been the views of sanguine directors and shareholders, the confidence of the public was not restored, and these shares were soon sold in the market at 250 rupees each.

An Act was subsequently passed to give legal effect to this resolution.

About this time Mr. Stuart, a former secretary of the bank, under whose management it had prospered, was appointed secretary, and arrived from England. Previous to his arrival, a statement had been prepared of all the outstanding debts due at the head office and branches; and the directors at two meetings, held on the 30th and 31st January 1867, carefully considered the account of each debtor, and the value of the securities held by the bank, and they arrived at the conclusion, which they afterwards communicated to Government,

Fifth Period, 10th December 1866 to 13th January 1868.

that one-half of the capital still remained intact. This estimate was no doubt honestly made, but no reliance could be placed on it. Mr. Stuart knew nothing of the correctness of the estimates prepared before his arrival, and, until a few days before, had never even heard of many of the companies whose shares were held by the bank. The directors could form no accurate estimate of such property as claims on insolvent estates, or estates being wound-up under Act XXVIII of 1865, which now constituted a large part of the assets of the bank, and experience should have taught them the difficulty of valuing the shares which formed another large part of the remaining assets. It seems however that another year, spent in unsuccessful endeavours to realize these assets, was still necessary to convince all parties that the bank was ruined.

In fact the bank was now in liquidation. Seven branch offices were closed, and two others were only kept open for the collection of debts. The minute book shows that the chief business of the directors at this time was the consideration of offers of compromise, and of the means to be taken to recover the lost capital. It is difficult to describe the ruin which had overwhelmed the mercantile community of Bombay, in consequence of the collapse of almost all the speculations started in 1864 and 1865 ; and everything that had taken place during the last few years,—even the action of the Courts of Justice and of the Legislature,—rendered the recovery of any part of the capital a task of great difficulty.

A decision of Mr. Justice Anstey alarmed the board and the solicitor of the Bank, and caused them to transfer into the names of officers of the bank many of the shares deposited as security. This decision was afterwards reversed, but the reversal came too late, inasmuch as the shares had already been transferred, and the bank became liable to pay, and subsequently paid, calls to a large amount on some of these shares.

The difficulty of realising the claims on the estates of insolvents was greatly increased by Act XXVIII of 1865, which was intended to provide for their more speedy realization. The Act not only failed to accomplish that object,—only two estates having been finally wound up under it in September 1868,—but its practical working was such, that it afforded every facility to fraudulent debtors, and rendered it impossible in many cases to realise the outstandings of the bank.

In February 1867, there was another severe run upon the bank, and deposits to the extent of 1, 69,00,000 rupees (1,690,000*l.*) were withdrawn in a few days. The Government again assured the directors that the bank would be supported, and this assurance had once more the effect of staying the further withdrawal of deposits.

At the next general meeting of the shareholders held on the 5th August 1867, another report of the directors was presented, which stated that in consequence of the run upon the bank already alluded to, and the amount of capital locked up in insolvent estates, the operations of the past six months had been very unfavourable, and that the loss of capital was now estimated by them at one crore and a half (1,500,000*l.*) On this report having been read, the meeting was adjourned to the 12th August 1867, in order that the report and accounts might be printed and circulated. At this adjourned meeting the directors' report was adopted.

It is useless to prolong the narrative of the last days of the bank. At a special general meeting held on the 13th January 1868, it was resolved to wind up the bank voluntarily, and Mr. Stuart was appointed liquidator for that purpose. On the 12th November 1868, the liquidator issued his report of the progress made in the liquidation, from which it appears, according to his estimate, that of the paid-up capital of the bank, the sum of 1,88,99,334 rupees (1,889,933*l.*) has been lost.

In conclusion we are of opinion that the causes of the failure of the bank were ;—

First.—The Act X of 1863, which removed many restrictions contained in the former Act, and permitted the bank to transact business of an unsafe character.

Second.—The abuse of the powers given by Act X of 1863, by weak and unprincipled secretaries, acting under the influence of a designing native director, Premchund Roychund.

Third.—That the presidents and directors of the first and second periods of the bank's history, with such exceptions as are hereinbefore mentioned, were negligent and failed to do their duty, in omitting to pass byelaws, in not exercising a proper supervision and control over the bank and its secretaries, and particularly in not ascertaining how the business of the bank was carried on.

Fourth.—The very exceptional nature of the times which required more than ordinary vigilance and care on the part of every one connected with the bank.

Fifth.—That the presidents and directors of the first, second, third, and fourth periods, were not conversant with banking business, and incapable of managing such an institution as the Bank of Bombay in difficult times.

Sixth.—The absence of sound legal advice and assistance.

The Commission cannot close this report without recording their obligation to their secretary, Mr. F. D. Chauntrell, for the valuable assistance which he has afforded them throughout the inquiry. His unwearied attention and labours call for this acknowledgment, and they recommend him to the favourable consideration of Government.

The Commission are also much indebted to Mr. Stuart, the liquidator of the bank, for valuable information received from him during their stay in India.

Dated the 10*th day of February* 1869.

C. R. M. JACKSON.
J. J. McLEOD INNES.
MAXWELL MELVILL.

F DUNDAS CHAUNTRELL,
Secretary.

REPRINTED AT THE
OFFICE OF SUPERINTENDENT OF GOVERNMENT PRINTING,
CALCUTTA,
1889.

BOMBAY BANK COMMISSION.

APPENDIX,

WITH

INDEX TO EVIDENCE.

Presented to the House of Commons by Command of Her Majesty.

LONDON:
PRINTED BY GEORGE EDWARD EYRE AND WILLIAM SPOTTISWOODE,
PRINTERS TO THE QUEEN'S MOST EXCELLENT MAJESTY.
FOR HER MAJESTY'S STATIONERY OFFICE.

24492.

1869.

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EXPLANATION of the Contractions employed in the following Tables :—

Discount - - -	- Disct.
Cash Credit - - -	- C.C.
Fixed Loan - - -	- F.L.
Open Loan - - - -	- O.L.
Overdraft - - -	- Overdt.

ABSTRACT OF THE ACCOUNT CURRENT OF THE BANK OF BOMBAY,

13th January 1868,

Being the date on which the Bank went into Liquidation.

Dr.

		Rupees.	Rupees
Notes in circulation and half notes outstanding			89,965
Interest on new capital			4,975
Bank post bills			23,693
Unclaimed dividends and bills unaccounted for			25,456
Fixed deposits : Head office		8,01,235	
Branches		3,67,653	
			11,68,888
Other Deposits : Government		32,53,899	
Current, head office		134,25,764	
do. branches		8,71,084	
Deposit receipts		45,948	
Cash credits at credit		5,338	
			176,02,033
Suspense accounts : A.		95,175	
B.		76,887	
			1,72,062
Reserve account at Hyderabad			22,733
Capital			104,50,000
Total		Rs.	295,59,805

Cr.

			Rupees.	Rupees.
Bills for collection and new bills current				15,80,143
Old outstandings, as per detailed list for 31st December 1867			107,42,367	
Less difference due to the interval			272	
				107,42,095
Bills accounted for and suspense accounts				10,07,291
Accounts with Coutts & Co. and with Banks of Bengal and Madras				4,18,085
Accounts with branches	Cr.	31,59,368		
	Dr.	29,90,494		
	Nett		1,68,874	
Adjusting and interest account with branches	Cr.	21,957		
	Dr.	5,596		
	Nett		16,361	
Account between branches	Cr.	403,956		
	Dr.	108,893		
	Nett		2,95,063	
				4,80,298
Value of Bank premises and property			11,44,730	
Stamps			10,347	
				11,55,077
Profit and loss				2,83,162
Cash and notes: Head office			116,07,841	
Branches			22,85,813	
				138,93,654
Total		Rs.		295,59,805

A 2

BANK OF BOMBAY.

STATEMENT showing the Details of the Overdue Advances that had caused Loss, or that were Outstanding, on the 31st December 1867.

Names.	Details of Transactions.				Total Liability.	Securities deposited.		State of the Account on the Bank going into Liquidation.		Loss anticipated by the Liquidator.	Remarks.
	Other Parties.	Date.	Nature.	Amount advanced.		At the Time of the Advances.	Subsequent to Receipt of Advances.	Out-standing.	Already written off to Loss.		
				HEAD OFFICE.							
				Rs.	Rs.			Rs.	Rs.	Rs.	
1. Alliance Financial Corporation	Its directors, viz., Diver, Hurbun, N., Ghellabhoy, P., Atmaram, M., and Sewjee, V.	21 Oct. 1864	Disct.	5,00,000	- -	- - -	Shares -	243,505	- -	- -	There was a second bill which was paid off, and caused no loss ; but it increased the total liability of the A.F.C. and its directors to Rs. 16,06,000.
		8 Nov. 1864	C.C.	5,00,000	- -	- - -	- - -	10,486	2,59,764		
		22 April 1865	Disct.	78,000							
		25 April 1865	Do.	28,000	11,06,000	- - -	- - -	- -	- -	3,87,375	
2. Ameerchund Beechurdass -	- - - -	22 April 1865	Do.	2,00,000	2,00,000	Shares -	- - -	- -	1,97,831	1,97,831	
3. Ardaseer Cursetjee Dady -	- - - -	8 Dec. 1864	Do.	1,50,000	1,50,000	- - -	Shares -	24,719	52,600	74,260	
4. Ardaseer Cursetjee Furdoonjee	- - - -	3 May 1865	Do.	30,000	30,000	- - -	Shares -	4,167	20,157	24,281	
5. Ardaseer Limjee & Co. - -	Nusserwanjee, D.	3 April 1865	Do.	10,000	10,000	- - -	- - -	2,542	2,500	3,820	
6. Asiatic Banking Corporation -	- - - -	7 May 1866	Overdt.	20,00,000	20,00,000	Bullion in transit bills and shares.	- - -	12,67,164	- -	4,50,000	This account, though kept as an overdrawn deposit, was really a cash credit for the sum named, and closed with a debit of Rs. 19,66,567.
7. Assaria Ludha - -	Puddumsey, V., & Co. -	23 Feb. 1865	Disct.	30,000	30,000	- - -	- - -	1,428	6,000	7,478	
8. Atmaram Madhowjee - -	As Director of Alliance F.C.	- - -	- -	16,06,000							
	G. Taylor and Diver -	11 Oct. 1864	F.L.	5,50,000							
	Diver and others - -	19 Jan. 1865	Disct.	60,000	- -	- - -	Property at Poona.	- -	13,318	13,318	
	Burjorjée Rustomjee --	3 Feb. 1865	Do.	30,000							
	Brice & Co. - -	21 Feb. 1865	Do.	30,000	- -	- - -	- - -	7,636	10,004	19,276	Loss now known to amount to only 16,640.
	Madhoba, H. - - -	31 March 1865	Do.	80,000	- -	Shares -	- - -	43,465	48,592	73,690	
	Total at Head Office -	- - -	- -	23,56,000							
	At Kalbadevi - -	- - -	- -	4,41,000	27,97,000						
9. Bazonjee Eduljee Rustomjee -	Dinshaw, A. - -	11 Feb. 1865	Do.	25,000							
	Pestonjee, B. C. - -	22 Feb. 1865	Do.	20,000	45,000						
10. Bendir, P. E. - - -	- - - -	16 Dec. 1865	Do.	10,000	10,000	Shares -	- - -	- -	2,960	1,670	Loss now anticipated to be 2,960.
11. Best, W. J. - - -	F. L. Brown - - -	25 Feb. 1865	F.L.	2,50,000	2,50,000						
12. Bhow Dajee - - -	Narain Dajee - -	16 Nov. 1864	Disct.	30,000							
	Do. - -	20 Dec. 1864	Do.	30,000	- -	- - -	- - -	- -	60,000	60,000	
	Total at Head Office -	- - -	- -	60,000							
	At Kalbadevi - -	- - -	- -	75,000	1,35,000						
13. Bhugwandass Mithachund -	- - - -	18 April 1865	Do.	25,000	25,000	Shares -	- - -	1,550	22,000	25,000	
14. Bhugwandass Purshotumdass -	Pranjeevundass, T.	13 Feb. 1865	Do.	50,000	50,000	- - -	Shares -	4,244	5,000	8,000	
15. Bomanjee Cursetjee Cama -	- - - -	9 Oct. 1863	C.C.	2,00,000	- -	- - -	- - -	- -	} 2,78,400	2,91,350	The loss amounts to only Rs. 2,78,400.
		27 April 1865	Disct.	2,00,000	- -	- - -	Shares -	- -			
	Pestonjee Cursetjee Shroff	14 Feb. 1865	Do.	1,00,000	5,00,000	- - -	- - -	1,944	99,010	99,610	
16. Bomanjee Framjee Cama -	Framjee, B. Cama - -	1 May 1865	Do.	1,00,000	1,00,000	- - -	- - -	18,671	- -	18,282	
17. Bombay Joint Stock Corporation	- - - -	2 Oct. 1865	Do.	5,00,000	5,00,000	Shares -	- - -	1,10,533	1,07,623	1,50,881	
18. Brice, A. C., & Co. - -	Atmaram, M. - -	21 Feb. 1865	Do.	30,000							
	Macfarlane and others -	21 April 1865	Do.	1,00,000	1,30,000	- - -	- - -	74,500	13,084	75,584	

19. Brown, F. L.	Heycock and others	12 July	1864	Do.	50,000	- -	- - -	- - -	11,000	34,138	45,138		
	Macfarlane	15 July	1864	Do.	30,000	- -	- - -	- - -	3,750	16,250	19,400		
	Best	25 Feb.	1865	F.L.	2,50,000	3,30,000	- - -	Shares	9,047	2,33,526	2,38,526		
20. Burjorjee Dorabjee Patell	Dadabhoy, R. P.	21 Dec.	1864	Disct.	25,000	25,000							
21. Burjorjee Rustomjee	Atmaram, M.	3 Feb.	1865	Do.	30,000	- -	- - -	- - -	- -	25,000	25,000		
	At Kalbadevi	- -	-	- -	7,65,000	7,95,000							
22. Burjorjee Sorabjee Lywalla	- - -	19 Jan.	1865	C.C.	50,000	50,000	- - -	- - -	- -	45,000	45,000		
23. Byramjee Ardaseer Dawur	Pestonjee, B. C.	9 Feb.	1865	Disct.	30,000	30,000							
24. Byramjee Hormusjee Cama	- - -	Before	1863	C.C.	51,000	- -	- - -	- - -	- -	- -	- -	47,774 Rs.	Are the balances at which these three C.C. accounts stood on the 19th May 1866.
		30 Jan.	1864	C.C.	8,00,000	- -	Govt. paper	- - -	- -	- -	- -	6,05,000 „	
		12 Sept.	1864	C.C.	1,00,000	- -	- - -	- - -	- -	- -	- -	98,260 „	
		14 Oct.	1864	F.L.	7,00,000	- -	- - -	Shares.					
		9 Feb.	1865	F.L.	94,800								
		1 May	1865	F.L.	1,25,000								
		6 April	1865	Disct.	1,00,000								
		13 April	1865	Do.	850	19,71,650	- - -	- - -	80,622	10,10,181	10,20,900		
25. Byramjee Maneckjee Wadia	Shapoorjee, D.	14 Dec.	1864	Do.	3,00,000	3,00,000							
26. Byramjee Nanabhoy Framjee	- - -	27 Dec.	1864	Do.	50,000								
		25 Jan.	1865	Do.	50,000	1,00,000	- - -	- - -	- -	90,000	90,000		
27. Byramjee Nusserwanjee Dantra	Pestonjee, B. C.	14 Dec.	1865	O.L.	16,000	16,000	Shares	- - -	- -	6,000	6,000		
28. Byramshaw Dhunjeebhoy	Wright & Co.	16 March	1865	C.C.	50,000	50,000							
29. Campbell, J.	Sydney Smith	10 Feb.	1865	Disct.	50,000	50,000	- - -	- - -	- -	40,000	40,000		
30. Candass Narundass	- - -	27 Sept.	1865	Do.	2,00,000	2,00,000	- - -	Shares	32,361	- -	33,361	Loss really amounts to only 32,061.	
31. Cassambhoy Nattoobhoy, Sons, & Co.	- - -	27 May	1865	Disct.	1,50,000	1,50,000	- - -	- - -	1,25,213	- -	93,910		
32. Cooper, W.	Hormusjee, P.	2 Feb.	1865	Do.	60,000	- -	- - -	Shares	15,250	18,084	20,250		
	Hurbun Nursery and others	28 Feb.	1865	Do.	1,00,000	1,60,000	- - -	- - -	- -	70,000	50,000	Loss now known to amount to 70,000.	
33. Cowasjee Muncherjee	- - -	26 Dec.	1864	Do.	50,000	50,000	- - -	Shares	20,759	- -	9,959		
34. Cowasjee Rustomjee Pochajee	S. & N. Nanabhoy	$\frac{15}{22}$ Aug.	1865	Do.	82,000	- -	Shares.						
	Do.	16 March	1865	C.C.	1,00,000	1[L]82,000	- - -	- - -	22,239	1,25,273	1,37,673		
35. Crawford, W. H.	- - -	4 May	1866	Disct.	1,00,000	- -	Shares	- - -	23,526	- -	23,000		
	H. B. Macculloch	5 April	1865	C.C.	1,00,000	2,00,000							
36. Currie, W. C.	S. M. Pelly	28 Nov.	1864	F.L.	50,000	50,000							
37. Cursetjee Furdoonjee	- - -	19 Dec.	1864	Overdt.*	2,08,366	- -	- - -	- - -	- -	- -	- -	*Closing amount overdrawn on 11 April 1866.	
		28 Dec.	1864	F.L.	6,25,000	- -	- - -	Shares.					
		16 Jan.	1865	F.L.	3,00,000	11,33,366	- - -	- - -	69,268	9,46,696	10,25,520	Loss is now expected to be only Rs. 9,79,613.	
38. Cursetjee Hormusjee Chinoy	Jehangeer, H. C.	2 March	1865	Disct.	50,000	50,000	- - -	Shares	25,000	- -	9,489		
39. Cursetjee Merwanjee	Reade and Wesche	26 Jan.	1865	Do.	50,000	50,000	- - -	- - -	435	20,900	21,335		
40. Cursetjee Sorabjee Wadia	- - -	19 April	1865	Do.	50,000	50,000	Shares	- - -	60	8,289	8,149		
41. Cursondass Batherdass	Sorabjee, B. C.	6 Jan.	1865	Do.	50,000								
		1 March	1865	Do.	50,000	1,00,000	- - -	- - -	- -	87,866	87,866		
42. Cursondass Lukmidass	- - -	24 April	1865	Do.	50,000	- -	- - -	- - -	- -	40,000	40,000		
	At Kalbadevi	- -	-	- -	20,000	70,000							
43. Cursondass Madhowdass	- - -	Aug.	1864	Loans.	11,00,000	11,00,000	Shares bought with the money lent.	- - -	1,97,139	6,10,623	7,81,308	The original transactions were :— 4 lakhs advanced on 24 Aug. 1864 to Cursondass, M. 5 lakhs advanced on 26 Sept. 1864 to Cursondass, M. 8 lakhs advanced on 29 Aug. 1864 to Myabhoy, P. 8 lakhs advanced on 29 Aug. 1864 to Mugginbhoy, H. — 25 lakhs in total were transferred on 8 Dec. 1865 thus: To Cursondass Madhowdass 11 lakhs. To Premchund Roychund 9 „ To Premabhoy Hemabhoy 5 „	

STATEMENT showing the Details of the Overdue Advances that had caused Loss, or that were Outstanding, on the 31st December 1867—*continued.*

Names.	Details of Transactions.				Total Liability.	Securities deposited.		State of the Account on the Bank going into Liquidation.		Loss anticipated by the Liquidator.	Remarks.
	Other parties.	Date.	Nature.	Amount advanced.		At the Time of the Advances.	Subsequent to Receipt of Advances.	Out-standing.	Already Written off to Loss.		
				Rs.	Rs.	HEAD OFFICE—*continued.*		Rs.	Rs.	Rs.	
44. Dadabhoy Byramjee, & Co.	- - - -	17 Oct. 1863	C.C.	1,00,000							
		6 June 1864	C.C.	1,00,000							
		18 April 1865	Disct.	1,00,000	3,00,000	Shares -	- - -	42,354	1,80,163	2,21,793	
45. Dadabhoy Nusserwanjee	Rustomjee, A. - -	24 March 1865	Do.	50,000	50,000						
46. Dadabhoy Rustomjee Patell	Burjorjee, D. P. - -	21 Dec. 1864	Do.	25,000	25,000	- - -	Shares -	- -	6,198	5,758	
47. Dady Nusserwanjee Dady	Jeejeebhoy, J. - -	20 Feb. 1865	Do.	1,00,000	1,00,000	- - -	Shares -	66,826	- -	33,400	Loss now known to be 6,198.
48. Davidass Lukmidass	Jumnadass, D. - -	24 Feb. 1865	Do.	75,000	- -	- - -	- - -	- -	69,595	69,595	
	Atmaram, M., and others	31 March 1865	Do.	80,000							
	Total at Head Office -	- - -	- -	1,55,000							
	At Kalbadevi - -	- - -	- -	9,38,000	10,93,000						
49. Davidass Purshotumdass	Manecklall, P. - -	9 Jan. 1865	Do.	75,000	75,000	- - -	- - -	- -	45,000	45,000	
50. De Quadros and De Lemos	- - - -	1 Sept. 1865	Do.	50,000	50,000	Shares -	- - -	- -	21,793	14,361	Loss now known to be 21,793.
51. Dhunjebhoy Byramjee	- - - -	7 Aug. 1865	C.C.	55,000	55,000	- - -	- - -	- -	25,000	27,500	A further loss has been written off, which is omitted.
52. Dhunjebhoy Framjee	- - - -	20 March 1865	F.L.	2,50,000	2,50,000	- - -	- - -	- -	1,10,000	1,10,000	
53. Dinshaw Ardaseer Davur	Bazonjee, E. R. - -	11 Feb. 1865	Disct.	25,000	25,000	- - -	- - -	- -	20,000	20,000	
54. Diver (Dr.), T.	As Director Alliance F. C.	- - -	- -	16,06,000							
	G. Taylor - - -	11 Oct. 1864	F.L.	5,50,000							
	Do. - - - -	10 Jan. 1865	Disct.	2,00,000							
	Atmaram, M., and others	19 Jan. 1865	Do.	60,000	24,16,000						
55. Dossabhoy Dhunjebhoy	- - - -	27 May 1865	Do.	30,000	- -	Shares.					
		21 Aug. 1865	Do.	70,000	1,00,000	Shares -	- - -	12,500	35,021	44,552	
56. Dossabhoy Hormusjee Patell	- - - -	27 Oct. 1864	F.L.	50,000	50,000	Shares -	- - -	- -	10,572	10,500	
57. Dosabhoy Merwanjee, & Co.	- - - -	24 Feb. 1865	Disct.	1,00,000							
		23 May 1865	Do.	2,00,000							
		17 March 1866	Do.	1,00,000	4,00,000	- - -	- - -	2,52,940	1,65,100	2,10,685	
58. Eastern Financial Association	- - - -	18 Oct. 1864	Do.	10,00,000	- -	- - -	Shares.				
		16 March 1865	C.C.	2,00,000							
		15 Aug. 1865	C.C.	25,000							
	Total at Head Office -	- - -	- -	12,25,000							
	At Surat - - -	- - -	- -	2,00,000	- -	- - -	- - -	- -	- -	- -	The sums written off to loss, on account of the branches, have been omitted, and should be added to the sum of Rs. 6,99,990 ; the whole loss has, in fact, been written off.
	At Kurrachee - -	- - -	- -	2,20,000	16,45,000	- - -	- - -	- -	6,99,990	9,03,743	
59. Eduljee Cursetjee Mody	Kaikusrao, E. M. - -	6 Sept. 1865	Disct.	25,000							
	At Surat - -	- - -	- -	12,500	37,500						
60. Framjee Ardaseer Davur	Macfarlane - -	18 Feb. 1865	Do.	30,000	30,000	- - -		12,886	11,300	21,186	
61. Framjee Bomanjee Cama	Bomanjee, F. Cama -	1 May 1865	Do.	1,00,000	1,00,000						
62. Fraser, A. J.	- - - -	19 April 1865	Do.	4,000	4,000	Shares -	- - -	1,545	1,377	2,377	
63. Frith & Co.	- - - -	12 Dec. 1865	Do.	20,000	20,000	- - -	- - -	- -	14,250	14,250	

64. Ghellabhoy Puddumsey -	As Director of the Alliance F. C.	- - -	- -	16,06,000									
	Cooper and others - -	28 Feb. 1865	Do.	1,00,000	- -	- - -	- - -	-	17,181	17,181			
		7 March 1865	Do.	1,00,000	18,06,000	- - -	- - -						
65. Gopalrao Bulwunt - - -	Pranjeevundass, H. -	21 Jan. 1865	Do.	50,000	- -	- - -	- - -	-	25,475	25,000	45,000		
	At Kalbadevi - -	- - -	- -	60,000	1,10,000		Shares.						
66. Govind Girdhur - - -	Moteelall, B. - -	3 April 1865	Do.	50,000	50,000	- - -	- - -		14,744	31,300	44,044		
67. Gubboy, A.M. - - -	Sorabjee, P. F. - -	4 Oct. 1865	C.C.	2,50,000	2,50,000								
68. Hajee Rahimtoola Gholam -	Mahomed Pereira & Co. -	24 March 1865	Disct.	10,000	10,000	- - -	- - -		1,901	7,550	9,401		
69. Heycock, C.F. - - -	F. L. Brown and others -	12 July 1864	Do.	50,000	50,000								
70. Homejee Cursetjee Dady -	- - - -	13 March 1865	Do.	1,00,000									
		19 Sept. 1865	Do.	75,000	1,75,000	Shares -	- - -		76,491	56,849	1,03,000		
71. Hormusjee Cursetjee - -	- - - -	28 March 1866	C.C.	20,600	- -	Shares.							
		5 April 1866	C.C.	15,000	35,600	- - -	- - -		9,776	- -	25,000		An error; the loss will be only 9,504.
72. Hormusjee Dhunjebhoy Gheesta	Taylor & Co. - -	21 March 1866	Disct.	30,000	30,000	Shares -	- - -		5,915	- -	3,010		
73. Hormusjee Jamsetjee, Sons, & Co.	- - - -	18 Nov. 1864	Do.	1,00,000	1,00,000	- - -	- - -		43,385	- -	32,193		
74. Hormusjee Merwanjee - -	- - - -	18 April 1865	Do.	25,000	25,000	Shares -	Shares -		1,860	22,000	24,136		
75. Hormusjee Pestonjee - -	Cooper, W. - - -	2 Feb. 1865	Do.	60,000	60,000								
76. Howard, E. J. - - -	- - - -	6 Feb. 1865	Do.	50,000	50,000	- - -	- - -		11,360	12,500	23,032		
77. Hunsraj Malljee - - -	Runchordass, K. & Co. -	5 Jan. 1865	Do.	30,000	30,000	- - -	- - -		- -	5,000	6,749		A further loss has been written off, which is omitted.
78. Hurbun Nursey - - -	As Director of the Alliance F. C.	- - -	- -	16,06,000									
	Cooper and others - -	28 Feb. 1865	Do.	1,00,000	17,06,000								
79. Hurruckchund Lowchund -	- - - -	20 April 1865	Do.	25,000									
		7 Oct. 1865	C.C.	17,504									
	Munmohundass, R. -	15 May 1865	Disct.	50,000	92,504	- - -	- - -		6,629	59,922	59,922		
80. Hurst, W. A. - - -	Passmore & Co. - -	27 Feb. 1865	Do.	15,000	15,000	- - -	- - -		6,807	5,000	11,620		
81. Huschke and Co. - - -	Naorojee, A. D. - -	4 Feb. 1865	Do.	75,000	- -	- - -	Shares -		1,306				
	Do. - - -	3 March 1865	Do.	60,000	- -	- - -	- - -		27,806				
	Do. - - -	23 March 1865	Do.	40,000	1,75,000	- - -	- - -		40,000	- -	52,698		
82. Imperial Banking and Trading Co.	- - - -	8 Dec. 1864	Do.	5,00,000	5,00,000	- - -	- - -		1,93,975	- -	1,30,000		
83. Jaisinghbhai Huttehsingh -	- - - -	6 May 1865	Do.	2,00,000									
		24 June 1865	Do.	1,00,000	3,00,000	- - -	Shares -		1,21,534	- -	64,892		
84. Jaitha Jeiraj - - -	Purboobhoy, N. - -	16 Jan. 1865	Do.	50,000	50,000	- - -	- - -		2,300	17,500	19,800		
85. Sir Jamsetjee Jeejeebhoy -	- - - -	10 Jan. 1865	C.C.	5,00,000	5,00,000	- - -	Shares -		5,000	- -	59,376		A loss has been written off, which is omitted.
86. Javerlall Umaishunker - -	- - - -	12 April 1865	Disct.	50,000			Shares -						
		20 April 1865	Do.	80,500			Shares -						
		27 April 1865	Do.	94,500	2,25,000	- - -			24,385	1,33,000	1,45,290		
87. Jejeebhoy Dhunjeebhoy -	- - - -	30 Jan. 1865	Do.	50,000									
	At Kalbadevi - -	- - -	- -	35,000	85,000	- - -	Shares -		- -	50,000	50,000		
88. Jejeebhoy Jehangeer - -	Dady, N. D. - -	20 Feb. 1865	Do.	1,00,000	1,00,000								
89. Jehangeer Hormusjee Chinoy	Cursetjee, H. C. - -	2 March 1865	Do.	50,000	50,000								
90. Jewraj Ramdass and Co. -	Vullubdass, J. - -	30 Jan. 1865	Do.	50,000	50,000	- - -	- - -		9,782	- -	4,891		
91. Jumnadass Doolubdass -	- - - -	2 April 1865	Do.	1,50,000									
		25 April 1865	Do.	1,22,000	- -	Shares -	- - -		- -	2,65,837	2,65,837		
	Davidass Luckmidass -	24 Feb. 1865	Do.	75,000									
	Total at Head Office -	- - -	- -	3,47,000									
	At Kalbadevi - -	- - -	- -	3,25,000	6,72,000								
92. Jumnadass Khooshaldass -	- - - -	16 March 1865	Do.	1,00,000	1,00,000	- - -	- - -		- -	40,000	40,000		
93. Kaikusrao Eduljee Mody -	Eduljee, C. M. - -	6 Sept. 1865	Do.	25,000	25,000	Shares -	- - -		1,759	20,588	21,904		
94. Kattywar Trading Company -	- - - -	6 March 1865	Do.	1,00,000	1,00,000	- - -	- - -		51,027	- -	25,513		
95. Khetsey Sewjee & Co. - -	- - - -	23 Feb. 1865	Do.	50,000	50,000	- - -	- - -		- -	49,477	49,420		
96. Khuttow Khemjee - -	- - - -	26 April 1865	Do.	40,000			Shares -						
		12 Sept. 1865	Do.	2,00,000	2,40,000	- - -	- - -		10,000	1,40,000	1,50,000		

STATEMENT showing the Details of the Overdue Advances that had caused Loss, or that were Outstanding, on the 31st December 1867—*continued.*

Names.	Details of Transactions.				Total Liability.	Securities deposited.		State of the Account on the Bank going into Liquidation.		Loss anticipated by the Liquidator.	Remarks.
	Other Parties.	Date.	Nature.	Amount advanced.		At the Time of the Advances.	Subsequent to Receipt of Advances.	Out-standing.	Already Written off to Loss.		
					HEAD OFFICE—*continued.*						
				Rs.	Rs.			Rs.	Rs.	Rs.	
97. Kummulsey Premjee	- - -	4 April 1865	O.L.	3,00,000	3,00,000	- - -		65,170	2,25,827	2,36,846	
98. Kursondass. *See* Cursondass.							Shares -				
99. Leggett, C.	Noor Mahomed, D.	22 June 1864	Disct.	30,000	30,000	- - -	Shares -	8,780	12,281	21,821	
100. Lulloobhoy Manecklall	- - -	13 April 1865	Do.	25,000	25,000	- - -	- - -	- -	23,180	23,180	
101. Macculloch, H. B.	Crawford, W. H.	5 April 1865	C.C.	1,00,000	1,00,000	- -	- - -	1,00,000	- -	1,00,000	
102. Macculloch, John & Co.	- - -	27 Dec. 1864	C.C.	1,00,000	- -	- - -	- -		7	72,861	
	At Kalbadevi	- - -	- -	51,650	1,51,650						
103. Macfarlane, J.	Merwanjee, N. B.	22 June 1864	Disct.	15,000							
	Brown, F. L.	15 July 1864	Do.	30,000							
	Framjee, A. D.	18 Feb. 1865	Do.	30,000							
	Brice & Co. and others	21 April 1865	Do.	1,00,000	1,75,000	- - -	- - -	- -	7,500	7,850	
104. Macindoe, Rogers, & Co.	Merwanjee, N. P.	6 July 1865	Do.	2,00,000	2,00,000						
105. Maclean, J. M.	- - -	21 March 1865	Do.	25,000							
		27 April 1865	Do.	52,800	77,800	Shares -	- - -	- -	59,458	59,204	
106. Madhoba Hurrychunder	Atmaram, M., &c.	31 March 1865	Do.	80,000	80,000						
107. Maneckjee Framjee	Sorabjee, B.	4 Feb. 1865	Do.	15,000	15,000	- - -	- - -	10,041	- -	10,430	
108. Maneckjee, Limjee, & Co.	- - -	14 Jan. 1865	C.C.	5,00,000	- -	Govt. paper.					
		5 June 1865	O.L.	4,00,000	9,00,000	Shares -	- - -	4,02,451	3,09,188	4,76,421	
109. Maneckjee Pestonjee Tubac	- - -	12 Jan. 1865	Disct.	30,000	30,000	- - -	- - -	3,849	14,719	16,619	
110. Manecklall Purshotumdass	Davidass, P.	9 Jan. 1865	Do.	75,000	75,000						
111. Merwanjee Nusserwanjee, B.	- - -	21 Jan. 1865	Do.	1,50,000							
	Macfarlane -	22 Jan. 1864	Do.	15,000	1,65,000	- - -	- - -	- -	1,25,000	1,25,000	
112. Merwanjee Nusserwanjee, P.	Macindoe, Rogers, & Co.	6 July 1865	Do.	2,00,000	2,00,000	- - -	- - -	11,200	78,803	78,803	
113. Mahomed Pereira & Co.	Hajee Rahimtoola, G.	24 March 1865	Do.	10,000	10,000						
114. Moteelall Bajeelall	Govind Girdhur	3 April 1865	Do.	50,000	50,000						
115. Muncherjee Dadabhoy and	Muncherjee Hormusjee	22 March 1865	Do.	30,000	30,000	Shares -	- - -	- -	21,525	20,000	
116. Muncherjee Framjee Colah	- - -	20 Oct. 1864	C.C.	50,000	50,000	- - -	Shares -	- -	33,100	33,100	
117. Muncherjee Jamsetjee and Sons	- - -	1 June 1865	Disct.	60,000	60,000	- - -	- - -	23,169	- -	12,500	
118. Munmohundass Rugonath	Hurruckchund, L.	15 May 1865	Do.	50,000	50,000						
119. Munsookhbhai Calliandass	- - -	18 April 1865	Do.	60,000	60,000	Shares -	- - -	- -	30,000	30,000	
120. Mayabhoy Premabhoy	Premchund Roychund	19 Dec. 1865	Do.*	4,50,000	4,50,000	Shares -	- - -	29,658	2,80,000	2,80,000	*Originally the debt of Doongershaw Gopjee and Dhunjeebhoy Pestonjee Panday.
121. Nanabhoy Cursondass	Purbhoobhoy, N.	28 Feb. 1865	Do.	30,000	30,000						
122. Nanlall Vishajee	- - -	18 April 1865	Do.	25,000	25,000	Shares -	- - -	2,377	22,000	23,700	
123. Narayen Dajee	Bhow Dajee -	16 Nov. 1864	Do.	30,000							
	Do. -	20 Dec. 1864	Do.	30,000							
	Total at Head Office	- - -	- -	60,000							
	At Kalbadevi	- - -	- -	75,000	1,35,000						
124. Naorojee Ardaseer Davur	Huschke & Co.	4 Feb. 1865	Do.	75,000							
	Do. -	3 March 1865	Do.	60,000							
	Do. -	23 March 1865	Do.	40,000							
	Brice & Co. and others	21 April 1865	Do.	1,00,000	2,75,000						

125. Naorojee Nanabhoy - -	S. Nanabhoy and Cowasjee, R. P.	16 March	1865	C.C.	1,00,000										
	Do. do. - -	15/22 Aug.	1865	Disct.	82,000										
	Total at Head Office -	- -	-	- -	1,82,000										
	At Kurrachee -	- -	-	- -	25,000	2,07,000									
126. Navalchund Nanchund -	- - - -	13 April	1865	O.L.	4,00,000	- -	- - -	Shares.							
		5 May	1865	O.L.	80,000	4,80,000									
127. Noor Mahomed Duttabhoy, Sons, & Co.	Leggett - -	12 June	1864	Disct.	30,000	30,000	- - -	- - -		99,655	3,13,169	3,88,932			
128. Nusserwanjee Dorabjee Patell	Ardaseer, L. - -	3 April	1865	Do.	10,000	10,000									
129. Nurbeerun Chabildass -	Vighbhuceun, A. -	14 April	1866	O.L.	8,800	8,800									
130. Passmore & Co. - -	Hurst, W. A. - -	27 Feb.	1865	Disct.	15,000	15,000									
131. Pelly, S. M. - -	Currie, W. C. - -	28 Nov.	1864	F.L.	50,000	50,000	- - -	- - -		368	37,500	43,750	A further loss written off which has been omitted.		
132. Pestonjee Byramjee Colah -	Byramjee, A. D. -	7 Feb.	1865	Disct.	30,000	- -	- - -	- - -	-	-	30,000	30,000			
	Bazonjee, E. R. - -	22 Feb.	1865	Do.	20,000	- -	- - -	- - -	-	-	20,000	20,000			
	Byramjee, N. - -	14 Dec.	1865	O.L.	16,000	66,000									
133. Pestonjee Cursetjee Shroff -	- - - -	2 July	1864	C.C.	60,000										
		18 Oct.	1864	C.C.	40,000										
		19 Dec.	1864	F.L.	97,000										
		21 April	1865	F.L.	5,00,000	- -	- - -	Shares.							
	Bomanjee, C. C. -	14 Feb.	1865	Disct.	1,00,000	7,97,800									
134. Pestonjee Naorojee Khras -	- - - -	18 April	1865	Do.	25,000		- - -	- - -	-	-	4,84,594	4,85,377			
		25 Aug.	1865	Do.	50,000	75,000									
135. Pranjeevundass Hurjeevundass	Gopalrao Bulwunt -	21 Jan.	1865	Do.	50,000		Shares -	- - -		28,020	13,966	40,966			
	At Kalbadevi -	- -	-	- -	1,40,000	1,90,000									
136. Pranjeevundass Toolseedass -	Bhugwandass, P. -	13 Feb.	1865	Disct.	50,000										
	Succulall, B. - -	25 April	1865	Do.	16,000	66,000	- - -	- - -		967	13,175	14,135			
137. Premabhoy Hemabhoy -	- - - -	31 Aug.	1864	F.L.	5,00,000	- -	Shares -	- - -		4,30,784	- -	- -	Transfer from Mayabhoy, P. *See* Cursondass, M.		
		15 May	1865	Disct.	3,00,000	- -	- - -	Shares -		- -					
		24 June	1865	Do.	2,00,000	- -	- - -	- - -		2,38,793	- -	3,89,215			
	Total at Head Office -	- -	-	- -	10,00,000										
	At Kalbadevi -	- -	-	- -	45,000	10,45,000									
138. Premchund Roychund -	- - - -	24 Aug.	1864	F.L.	9,00,000	- -	Shares -	- - -		7,46,863	- -	- -	Transfer from Cursondass, M., which *see*.		
		1 April	1865	Overdt.	*1,62,839	- -	- - -	Shares -		1,57,775	- -	- -	* This is its ultimate balance; not the maximum.		
	Khuttow, Khemjee -	12 Sept.	1865	Disct.	2,00,000										
	Myabhoy, P. - -	19 Dec.	1865	Do.	4,50,000										
	Sundry Co-obligants -	27 April	1866	C.C.	25,00,000	42,12,839	Jewels and landed property, &c.	- - -		14,40,684	5,79,110	20,79,110			
139. Puddumsey Veerjee & Co. -	Assaria, L. - -	23 Feb.	1865	Disct.	30,000	30,000									
140. Purbhoobhoy Nagurbhoy -	Jaitha, J. - -	16 Jan.	1865	Do.	50,000										
	Pussoo, J., and Nanabhoy, K.	28 Feb.	1865	Do.	30,000										
	Total at Head Office -	- -	-	- -	80,000										
	At Kalbadevi -	- -	-	- -	20,000	1,00,000	- - -	- - -		- -	28,000	28,000			
141. Pussoo Jeiraj - -	Purboobhoy, N., and Nanabhoy, K.	28 Feb.	1865	Do.	30,000	30,000									
142. Reade, J. W. - -	Cursetjee, M., and Wesche	26 Jan.	1865	Do.	50,000	50,000									
143. Reynolds (Major W.) -	- - - -	14 Oct.	1865	C.C.	3,000	3,000	Shares -	- - -		1,868	- -	1,500			
144. Roychund Deepchund -	- - - -	4 May	1865	C.C.	95,368										
		28 Aug.	1865	C.C.	1,00,000	- -	- - -	Shares -		1,07,168	68,040	57,984	Loss is really 68,040.		
	Total at Head Office -	- -	-	- -	1,95,368										
	At Kalbadevi -	- -	-	- -	40,000	2,35,368									

Statement showing the Details of the Overdue Advances that had caused Loss, or that were Outstanding, on the 31st December 1867—*continued.*

Names.	Details of Transactions.			Total Liability.	Securities deposited.		State of the Account on the Bank going into Liquidation.		Loss anticipated by the Liquidator.	Remarks.
	Other Parties.	Date.	Nature. Amount advanced.		At the Time of the Advances.	Subsequent to Receipt of Advances.	Out-standing.	Already Written off to Loss.		
				HEAD OFFICE—*continued.*			Rs.	Rs.	Rs.	
145. Rugonath Witoba	- - -	6 April 1865	Disct. 1,00,000	Rs. 1,00,000	- - -	Shares -	25,156	55,000	69,156	
146. Runchurdass Khemjee & Co.	Hunsraj Malljee -	5 Jan. 1865	Do. 30,000	30,000						
147. Rustomjee Ardaseer	Dadabhoy, N.	24 March 1865	Do. 50,000	50,000	- - -	- - -	- -	41,000	41,000	
148. Rustomjee Jamsetjee Jeejeebhoy	- - -	22 July 1864	Do. 2,21,000	- -	- - -	- - -				* An overdrawn deposit account of April 1865 thus cleared, and security lodged. † These three were debts of Sorabjee eventually guaranteed by his brother Rustomjee.
		11 April 1866	C.C. *3,00,000	- -	Government paper and railway shares -	- - -	1,39,474	1,19,934	6,45,000	
149.	And Co.	15 Dec. 1865	C.C. 2,10,000	- -	- - -	- - -				
	Sorabjee, J. J.	14 July 1864	C.C. †5,00,000	- -	- - -	Shares -				
	Do.	17 July 1865	C.C. †1,75,000	- -	- - -	- - -	7,29,882	- -		
	Do.	22 July 1865	Disct. †1,00,000	15,06,000	- - -	- - -				
150. Rustomjee Merwanjee, N.	- - -	11 Nov. 1864	Do. 35,000	35,000	- - -	- - -	- -	30,000	30,000	
151. Ruttunjee Furdoonjee Paruck	Hormusjee, D., and Taylor and Co.	21 March 1866	Do. 30,000	30,000						
152. Ryland, J. H.	- - -	6 May 1865	Overdt. 29,643	29,643	- - -	Shares -	4,698	17,728	21,802	
153. Sacculall Bhuccanbhoy	Pranjeevundass, T.	25 April 1865	Disct. 16,000	16,000						
154. Sapoorjee Ardaseer	- - -	17 March 1865	Do. 50,000	50,000	- - -	- - -	- -	6,000	6,000	
155. Sapoorjee Dhunjeebhoy	- - -	20 April 1864	Do. 1,00,000	- -	- - -	- - -	- -	70,903	70,000	
	Byramjee, M.	14 Dec. 1864	Do. 3,00,000	4,00,000	- - -	- - -	4,527	2,50,000	2,50,000	
156. Sassoon, J. A.	- - -	16 March 1865	Do. 1,00,000	1,00,000	- - -	- - -	- -	50,000	50,000	
157. Sewja-ood-deon Tyabjee & Co.	- - -	4 Jan. 1865	Do. 20,000							
		8 March 1865	Do. 40,000	60,000	- - -	- - -	- -	33,369	33,369	
158. Sewjee Nansey and Co.	- - -	20 Feb. 1865	Do. 1,00,000	1,00,000	- - -	- - -	- -	45,448	45,447	
159. Sewjee Velljee	Gooper and others	28 Feb. 1865	Do. 1,00,000							
	At Kalbadevi	- - -	- - -	1,25,000	2,25,000					
160. Smith (Sydney)	Campbell, J.	16 Feb. 1865	Do. 50,000	50,000						
161. Sorabjee Burjorjee	Maneckjee, F.	4 Feb. 1865	Do. 15,000	15,000						
162. Sorabjee Byoamjee Colah	Cursondass, B.	6 Jan. 1865	Do. 50,000							
	Do.	1 March 1865	Do. 50,000	1,00,000						
163. Sorabjee Jamasjee Lalla	- - -	16 Jan. 1865	Do. 50,000	50,000	- - -	- - -	1,022	12,252	7,110	Loss is really 12,252.
164. Sorabjee Jamsetjee Jeejeebhoy	Rustomjee, J. J. (Originally Sorabjee alone.)	14 July 1864	C.C. 5,00,000							
	Do.	17 July 1865	C.C. ‡1,75,000	- -	- - -	- - -	- -	- -	- -	‡ To clear balance of two bills, viz., of 9 December 1864 for 3,00,000, and of 8 March 1865 for 2,00,000.
	Do.	22 July 1865	Disct. 1,00,000	7,75,000						
165. Sorabjee Nanabhoy	N. Nanabhoy and Cowasjee, R. P.	16 March 1865	C.C. 1,00,000							
	Do. do.	15 Aug. 1865	Disct. 82,000	1,82,000						
166. Sorabjee Pestonjee Framjee	Gubboy	4 Oct. 1865	C.C. 2,50,000	2,50,000	Shares -	- - -	76,654	43,801	53,256	
167. Taylor, Geo.	- - -	28 Dec. 1864	F.L. 2,00,000	- -	Shares -	- - -	- -	91,358	91,358	
	Diver and Atmaram, M.	11 Oct. 1864	F.L. 5,50,000	- -	- - -	- - -	- -	5,50,000	5,50,000	
	Diver	10 Jan. 1865	Disct. 2,00,000	- -	- - -	- - -	- -	1,95,000	1,95,000	
	Bell and Co., and others	21 April 1865	Do. 1,00,000	10,50,000						

168. Taylor, J. W., and Co.	-	Hormusjee, D. G.	-	21 March	1865	Disct.	30,000	30,000								
169. Taylor, R. L.	-	-	-	5 Jan.	1865	Do.	11,600	11,600	-	-	-	Shares	-	-	-	7,000	7,000	
170. Treacher and Co.	-	Atmaram, M.	-	19 Jan.	1865	Do.	60,000	60,000										
171. Trenu, S.	-	-	-	21 Oct.	1864	Do.	3,000	3,000	-	-	-	-	-	-	-	3,000	3,000	
172. Veerchund Deepchund	-	-	-	1 May	1865	Do.	1,00,000	1,00,000	-	-	-	Shares	-	-	-	20,706	22,549	It is now known that this loss will not exceed 20,706.
173. Venayek Pandoorung	-	Brown, F. L., and others		12 July	1864	Do.	50,000	50,000										
174. Vighhuccum Atmaram	-	Nurbeerun, C.	-	16 April	1866	O.L.	8,800	8,800	-	-	-	-	-	-	-	8,700	8,700	
175. Vutlublass Jeiraj	-	Jewraj, R., and Co.	-	30 Jan.	1865	Disct.	50,000	50,000										
176. Watson, W.	-	-	-	26 Dec.	1864	Overdt.	20,424	20,424	-	-	-	Shares	-	-	-	14,516	14,360	
177. Wesely, W.	-	Cursetjee, M., and Reade		26 Jan.	1865	Disct.	50,000	50,000										
178. Wright and Co.	-	Byramshaw, D.	-	16 March	1865	C.C.	50,000	50,000	-	-	-	-	-	-	-	22,000	-	-	25,000	The loss will not exceed 22,000.
Total at Head Office on which loss has occurred	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	84,47,544	115,74,443	165,38,510	
Cases at Branches do. do. disposed of at the Head Office.																		
Sewamorty Ainapoory	-	-	-	Sundry	-	-	-	-	-	-	-	-	-	-	-	2,16,256	-	-	1,05,432	
67 old cases not causing loss	-	-	-	-	-	-	-	16,63,061	-	-	-	-	-	-	-	10,96,647				
Do. do. under 1,000 each	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,483				
Anticipated interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	234				
																97,64,164	115,74,443	166,43,942		

BRANCHES.

KALBADEVI BRANCH.

Atmaram Madhojee	-	Burjorjee, R.	-	16 Dec.	1864	Disct.	2,50,000	-	-	-	-	-	-	-	13,506	2,05,350	2,18,950	
		Toolseedass, P.	-	17 May	1865	Do.	90,000	-	-	-	-	-	-	-	10,311	86,954	96,594	
		Hurrychund, H.	-	27 Jan.	1865	Do.	10,000											
		Do.	-	14 Feb.	1865	Do.	91,000	4,41,000										
Bharmul Purbut and Co.	-	Macculloch, John, & Co.	-	15 March	1865	Do.	25,295	-	-	-	-	-	-	-	5,592	18,321	23,321	
		Do. do.	-	12 April	1866	Do.	26,355	51,650										
Bhow Dajee	-	Narayen Dajee	-	25 Jan.	1865	Do.	50,000	-	-	-	-	-	-	-	11,927	37,500		
		Do.	-	16 Feb.	1865	Do.	25,000	75,000	-	-	-	Shares	-	-	-	5,164	53,664	
Burjorjee Rustomjee	-	-	-	2 Sept.	1865	Do.	15,000	-	-	-	-	-	-	-	4,402	-	4,400	
		Davidass, L.	-	1 Feb.	1865	Do.	5,00,000	-	-	-	-	-	-	-	60,232	3,64,817	4,19,816	
		Atmaram, M.	-	16 Dec.	1864	Do.	2,50,000	7,65,000										
Burjorjee Sorabjee	-	Sorabjee, M.	-	22 June	1865	Do.	5,000	5,000										
Calliandass Narotun	-	Vijbhoocundass, H.	-	-	-	Do.	40,000	40,000	-	-	-	-	-	-	-	-	-	*See* Vijbhoocundass, H.
Cooverjee Premjee	-	Megjee Mooljee	-	11 Jan.	1865	Do.	25,000	25,000										
Cursetjee Framjee	-	Dadabhoy, J., &c.	-	26 May	1865	Do.	35,000	35,000										
Cursondass Lukmidass	-	Purbhoobhoy, N.	-	20 Feb.	1865	Do.	20,000	20,000	-	-	-	-	-	-	-	20,000	19,874	
Dadabhoy Jeewanjee	-	Cursetjee, F., &c.	-	26 May	1865	Do.	35,000	35,000	Shares	-	-	-	-	-	580	33,603	34,183	
Davidass Luckmidass	-	-	-	28 March	1865	Do.	13,000	-	-	-	-	-	-	-	-	13,000		
		Ramdan, T.	-	7 Jan.	1865	Do.	1,00,000	-	-	-	-	-	-	-	-	1,04,018		
		Jumnadass, D.	-	7 Jan.	1865	Do.	84,000											
		Do.	-	11 Jan.	1865	Do.	61,000											
		Do.	-	16 March	1865	Do.	1,80,000	-	-	-	-	-	-	-	41,576	1,70,442	3,22,460	
		Burjorjee, R.	-	1 Feb.	1865	Do.	5,00,000	9,38,000										
Gomes, A. N. C.	-	Lisboa	-	5 Jan.	1865	Do.	60,000	60,000										
Gopalrao Bulwunt	-	Pranjeevundass, H.	-	1 Feb.	1865	Do.	60,000	60,000	-	-	-	-	-	-	3,700	56,300	59,300	
Govind Naram	-	Narobaskur	-	8 March	1865	Do.	20,000	20,000										
Govindhurry Waleka	-	Gungaram Buldeo	-	11 Jan.	1865	Do.	50,000	50,000	-	-	-	House property			17,020	-	-	17,000
Govindjee Jeewanjee	-	Hurrichund, H.	-	30 Jan.	1865	Do.	10,000	10,000	-	-	-	-	-	-	5,302	4,800	9,800	
Gungadass Toolseedass	-	Vijbhoocundass, L.	-	25 May	1865	Do.	15,000	-	-	-	-	Shares	-		5,832	4,841	10,641	
		Dadabhoy, J., and Cursetjee, F.	-	26 May	1865	Do.	35,000											
		Nusserwanjee, N.	-	26 May	1865	Do.	1,00,000	1,50,000										

Statement showing the Details of the Overdue Advances that had caused Loss, or that were Outstanding, on the 31st December 1867—*continued.*

Names.	Details of Transactions.				Total Liability.	Securities deposited.		State of the Account on the Bank going into Liquidation.		Loss anticipated by the Liquidator.	
	Other Parties.	Date.	Nature.	Amount advanced.		At the Time of the Advances.	Subsequent to Receipt of Advances.	Out-standing.	Already Written off to Loss.		
		KALBADEVI BRANCH—*continued.*									
				Rs.	R			Rs.	Rs.	Rs.	
Gungaram Buldeo	Govindhurry, W.	11 Jan. 1865	Disct.	50,000	50,000						
Heerjee Arut	Megjee Mooljee	11 Jan. 1865	Do.	25,000	25,000			10,483	4,793	12,293	
Hurrichund Hurrishunkur	Venayek, T.	24 Jan. 1865	Do.	1,15,000			Shares	4,445	1,15,811	1,20,211	
	Atmaram, M.	27 Jan. 1865	Do.	10,000							
	Do.	14 Feb. 1865	Do.	91,000		Shares		10,242	54,863	64,863	
	Govindjee, J.	30 Jan. 1865	Do.	10,000	2,26,000						
Hurst, W. A.		19 June 1865	Do.	13,450	13,450	Shares			9,022	9,022	
Jeejeebhoy Dhunjebhoy	Toolseedass, P.	17 May 1865	Do.	35,000	35,000	Shares		8,425	25,000	33,400	
Jewraj Ruttunjee & Co.	Macculloch, John, & Co.	12 April 1866	Do.	26,355	26,355						
Jumnadast Doolubdass	Davidass Lukmidass	$\frac{7}{12}$ Jan. 1865	Do.	1,45,000							
	Do.	16 March 1865	Do.	1,80,000	3,25,000						
Khooshal Veerjee	Sawchund, J.	15 Sept. 1865	Do.	3,700	3,700		Shares	1,399	2,000	3,399	
Kisonjee Kanjee	Ruttimjee, L.	20 Feb. 1865	Do.	20,000	20,000						
Lisboa, P. J.	Gomes	5 Jan. 1865	Do.	60,000	60,000		Shares	29,042		28,300	
Madhoba Hurrichunder		4 May 1866	Do.	25,000	25,000			7,476	15,000	22,400	
Mahasookram Soorujram		3 May 1865	Do.	7,500	7,500	Shares			3,750	3,750	
Maneckchund Toolseedass		12 Feb. 1866	Do.	5,000	5,000				1,250	1,250	
Macculloch, John, & Co.	Bharmul, P.	15 March 1865	Do.	25,295							
	Do. and Jewraj, R.	12 April 1866	Do.	26,355	51,650		Shares	22,960		18,400	
Megjee Mooljee	Cooverjee Preenjee	11 Jan. 1865	Do.	25,000				6,423		3,500	
	Heerjee Arut	11 Jan. 1865	Do.	25,000	50,000						
Nagree Kirpul	Sewjee Velljee	2 Oct. 1865	Do.	1,25,000	1,25,000						
Narain Dajee	Bhow Dajee (which see)	Jan. & Feb. 1865	Do.	75,000	75,000						
Narainbhoy Tapidass		12 May 1865	Do.	15,000	15,000	1 Back Bay share.			12,850	12,850	
Narobaskur	Govind Narain	8 March 1865	Do.	20,000	20,000			1,57	6,565	6,565	
Nusserwanjee Naorojee	Gmigadass, T.	26 May 1865	Do.	1,00,000	1,00,000	Shares			67,819	77,265	Subsequent writes off to loss have evidently been omitted.
Pranjeevundass Doolubdass		17 May 1865	Do.	18,000	18,000	Shares			5,004	7,269	
Pranjeevundass Hurjeevundass	Gopalrao Balwunt	1 Jan. 1865	Do.	60,000							
	Ramdass, B.	26 May 1865	Do.	80,000	1,40,000	Shares		8,112	33,068	41,180	
Premabhoy Hemabhoy		26 March 1866	Do.	45,000	45,000	Shares			18,267	18,266	
Purbhoobhoy Nagurbhoy	Cursondass, L.	20 Feb. 1865	Do.	20,000	20,000						
Ramchunder Balcrisna		19 June 1865	Do.	9,000	9,000		Shares		3,409	3,408	
Ramdass Bapoobhoy	Pranjeevundass, H.	26 May 1865	Do.	80,000	80,000						
Ramdass Toolseedass	Davidass, L.	7 Jan. 1865	Do.	1,00,000	1,00,000						
Roychund Deepchund		24 April 1866	Do.	40,000	40,000		Shares		6,062	6,062	
Ruttunjee Ludhanee	Kisonjee Kanjee	20 Feb. 1865	Do.	20,000	20,000			6,915	10,150	10,150	
Sawchund Jugjeevun	Khooshal Veerjee	15 Sept. 1865	Do.	3,700	3,700						
Sewjee Velljee	Nagree Kirpul	2 Oct. 1865	Do.	1,25,000	1,25,000	Shares			66,666	66,666	
Sorabjee Muncherjee	Burjorjee Sorabjee	7 March 1865	Do.	5,000	5,000		Shares	1,413		800	
Tamooljee Dadabhoy		7 Feb. 1866	Do.	3,000	3,000	1 ColabaRecn. share.			1,000	1,000	
Toolseedass Permanund	Atmaram, M.	17 May 1865	Do.	90,000							
	Jeejeebhoy, D.	17 May 1865	Do.	35,000	1,25,000						
Veerjee Isherjee		4 March 1865	Do.	18,000	18,000				18,014	18,014	

Venayek Trimbuck	*Hurrichund, H.*	24 Jan.	1865	Disct.	1,15,000	1,15,000									
Vindravundass Itchalall	-	12 Sept.	1865	Do.	7,000	7,000	-	-	-	Shares	-	-	-	7.461	7,460
Vitul Narani	-	24 March	1865	Do.	10,000	10,000	-	-	-	Shares	-	-	-	8,580	8,580
Vitzbhucundass Hurribhoy	Calliandass, N.	5 Sept.	1865	Do.	20,000										
	Do.	18 Nov.	1865	Do.	5,000										
	Do.	5 Dec.	1865	Do.	15,000	40,000	-	-	-	Shares	-	-	-	4,834	4,834
Vitzbhucundass Lukmidass	Gungadass, T.	25 May	1865	Do.	15,000	15,000									
Total of transactions ending in loss												2,98,372	16,26,348	19,01,160	
Five outstandings not likely to cause loss												14,016			
												3,12,388	16,26,348	19,01,160	

POONA BRANCH.

Bheorao Bapojee	Venayek Bhugwunt	11 Oct.	1865	Disct.	20,000	20,000	-	-	-	-	-	-	5,000	5,000	
Bunnajee Bhowjee	-	4 Aug.	1864	Do.	5,000	-	-	-	-	-	-	-	5,123	5,122	
	H. Streatfield	25 May	1864	Do.	3,000	8,000	-	-	-	-	-	-	3,489	3,488	
Dadabhoy Cowasjee	-		1862	Do.	27,000	27,000	-	-	-	Property	-	-	13,500	13,500	
Damodhur Bapoobhoy	Abaja Mahiput	Sept.	1865	Do.	32,000	32,000	-	-	-	-	-	3,529	5,000	5,000	
Damodhur Sudhaseer	-	2 May	1866	Do.	5,000	5,000	-	-	-	-	-	-	5,075	5,075	
Dorabjee Pestonjee Patell	-	4 Jan.	1865	Do.	45,000	45,000	-	-	-	-	-	3,000	27,800	30,800	
Executive Engineer (the)	-	7 May	1866	Overdt.	2,750	2,750	-	-	-	-	-	-	-	2,564	An error, as the overdraft has been cleared.
Falconer, H. V.	-	2 Dec.	1864	Disct.	2,500	2,500	-	-	-	-	-	-	1,150	1,150	
Govind Ramchunder	Wamun, R.	Aug.	1864	Do.	60,000	-	-	-	-	-	-	-	-	-	} Charged under Wamun, R.
	Mahadee, S.	Nov.	1864	Do.	61,000	1,21,000	-	-	-	-	-	-	-	-	
Haig (Capt.), C. J.	-	21 April	1865	Do.	22,000	22,000	-	-	-	Shares	-	7,703	6,500	6,500	
Hastings, J.	-	23 Aug.	1864	Do.	3,000	3,000	-	-	-	-	-	-	1,500	1,900	Loss between Feb. 1867 and Jan. 1868.
Holland (Capt.), J. J.	-	16 Jan.	1865	Do.	9,000	-	-	-	-	-	-				
	Major Wood	25 June	1866	Do.	13,000	-	-	-	-	Shares	-	36,180	16,000	23,879	
Khooshaldass Damodhur	-	4 April	1865	Do.	26,750	48,750	-	-	-	-	-				
	-	April	1866	Do.	13,000	13,000	-	-	-	-	-	2,558	2,000	6,558	4,558 is the correct amount of probable loss.
Nagoba Boorunder	-	2 June	1864	Do.	49,800	49,800	-	-	-	-	-	-	27,532	27,532	
Rowjee Khutney	-	2 March	1865	Do.	50,000	50,000	-	-	-	-	-	25,024	25,000	50,000	
Smythe (Capt.), J.	-	23 Aug.	1864	Do.	3,500	3,500	-	-	-	-	-	2,900	-	2,900	
Sookhram Hurriatray	-	19 Feb.	1866	Do.	5,000	5,000	-	-	-	-	-	860	-	700	
Soppitt (Major), M. J.	-	3 Oct.	1864	Do.	1,200	1,200	-	-	-	-	-	20	1,184	1,184	
Sumbajee Ranojee	-	30 May	1864	Do.	10,000	10,000	-	-	-	-	-	8	10,000	10,000	
Trimbuck Gungadhur	-	27 Nov.	1865	Do.	5,000	5,000	-	-	-	-	-	-	4,907	4,907	
Trimbuck Sookhram	-	21 Nov.	1864	Do.	10,000	10,000	-	-	-	-	-	-	2,251	2,251	
Venayek Mahadeo Moonee	-	22 May	1865	Do.	5,000	5,000	-	-	-	-	-	2,189	2,675	4,864	
Wamun Ramchunder	-	Sept. & Oct.	1864	Do.	55,000	-	-	-	-	-	-				
	Narundass Sutchmundass	30 June	1864	Do.	40,000	-	-	-	-	-	-				
	Govind, R.	Aug.	1864	Do.	60,000	1,55,000	-	-	-	-	-	1,00,000	1,11,714	1,86,714	
Wood (Major), H. H. A.	-	25 Sept.	1865	Do.	22,500	-	-	-	-	House and shares.					
		10 March	1866	Do.	2,500										
		25 Sept.	1866	Overdt.	1,871										
	Major Ross	5 Dec.	1864	Disct.	20,000	-	-	-	-	1 Victoria Cy. share.					
	Capt. Holland	4 April	1865	Do.	26,750	73,621	Shares	-	-	-	-	24,790	18,000	29,339	
3 advances under 1,000/ each	-				1,022	1,022	-	-	-	-	-	800	-	622	
Total transactions ending in loss	-											2,09,561			
4 outstandings not likely to cause loss.	-											58,091			
												2,67,652	2,95,400	4,31,549	

Statement showing the Details of the Overdue Advances that had caused Loss, or that were Outstanding, on the 31st December 1867—*continued*.

Names.	Details of Transactions.				Total Liability.	Securities deposited.		State of the Account on the Bank going into Liquidation.		Loss anticipated by the Liquidator.	Remarks.
	Other parties.	Date.	Nature.	Amount advanced.		At the Time of the Advances.	Subsequent to Receipt of Advances.	Out-standing.	Already Written off to Loss.		
AHMEDABAD BRANCH.											
				Rs.	Rs.			Rs.	Rs.	Rs.	
Bhanabhoy Tricundass	4 others	28 Feb. 1865	C.C.	1,25,000	1,25,000	-	-	10,934	10,036	17,036	
Chotabhoy Moteechund	Bhanabhoy Moteechund	May 1865	Disct.	35,000	35,000	-	-	8,817	6,162	6,162	
Chotalall Jumnadass	Tulloo Virjeevun	22 Jan. 1864	C.C.	6,000	6,000	-	Shares and jewellery.	931	2,750	3,681	
Farquharson (Major), J. M. B.	Major Block	20 Jan. 1865	C.C.	10,000	-	-	Shares	21,101	-	10,000	
	Major Holt	18 Nov. 1864	Disct.	5,000	15,000	-	-	4,090	-	4,090	
Goojrat Trading Company	-	21 April 1865	C.C.	75,000							
		May & June 1865	Disct.	45,000							
		2 Aug. 1865	Do.	1,00,000	2,20,000	-	-	19,919	1,98,166	1,98,166	
L'Estrange (Capt.), E.	Major Burrows	10 Jan. 1865	C.C.	30,000	30,000	-	Shares	8,161	14,161	22,322	
Mugginbhoy Hutteh Singh	-	June 1865	Disct.	2,00,000	-	-	Shares.				
		July 1865	Do.	1,50,000	3,50,000	-	-	12,664	2,99,503	3,07,862	
Muncherjee Sorabjee	Maneckjee Muncherjee	19 Sept. 1864	Do.	1,30,000	1,30,000	-	Govt. paper, houses, and shares.	1,24,903	-	55,000	
Prantall Achrutlall	2 others	8 Sept. 1864	Do.	12,000	12,000	-	House and shares.	2,856	-	2,684	
Tribhowun Jetha	-	5 June 1865	Do.	5,000	5,000	-	-	420	-	420	
Wilson (Major)	Capt. Galloway	4 March 1865	C.C.	20,000	20,000	-	Shares	-	10,710	10,710	
Advances under 1,000/	-	-	-	-	-	-	-	-	-	351	
Total advances ending in loss	-	-	-	-	-	-	-	2,14,796			
4 advances not ending in loss	-	-	-	-	-	-	-	23,713			
								2,38,509	5,41,488	6,38,484	
SURAT BRANCH.											
Atmaram Bicaridass	-	3 March 1864	Disct.	15,000	15,000	-	-	-	9,391	9,391	
Balkishendass Muncheram	-	1 May 1865	C.C.	88,000	88,000	Shares	-	15,750	30,000	45,750	
Bezonjee Jenabhai	-	30 Dec. 1866	Disct.	5,000	5,000						
Byramjee Manockjee	Hormusjee, M.	-	-	40,000	40,000	-	-	11,578	17,500	-	The Liquidator has omitted to state the amount of probable loss.
Cowashaw Rustomjee	Sorabshaw, B.	14 Nov. 1864	Do.	53,738	53,738	-	-	1,368	50,000	51,368	
Eastern Financial Association	-	March 1866	Do.	2,00,000	2,00,000	-	-	-	1,00,000	2,00,000	
Eduljee Cursetjee Mody	Narotum, T.	1864	Do.	12,500	12,500	-	-	-	10,500	10,500	
Ferozeshaw Shapoorjee	Pestonjee, M., &c.	May 1865	Do.	70,000	70,000	-	Shares	19,972	30,000	49,971	
Govindjee Megjee	-	1866	Do.	8,524	8,524	-	-	3,500	5,024	8,024	
Gowreeshunkur Nathjee	-	29 Dec. 1866	Do.	15,000	15,000						
Jamasjee Bomanjee, B.	Shapoorjee, B. B.	14 Dec. 1864	Do.	1,50,000	1,50,000	-	-	1,562	75,000	75,200	
Mirwanjee Nusserwanjee, B.	-	2 March 1865	Do.	45,337	45,337	House property.	-	5,337	40,000	43,000	
Nusserwanjee, B. B.	Anopsha Rajaram	20 Dec. 1864	Do.	25,000	25,000	-	-	6,000	19,000	21,000	
Parkinson, E. S.	Rees, T. H.	11 July 1866	Do.	1,200	1,200	Bombay Bank shares.	-	1,200	-	1,200	

Pestonjee Mirwanjee - -	*Rustomjee, M.* - -	15	*Dec.*	1864	Disct.	25,000	25,000	-	-	-	-	-	-	-	-	25,000	25,000	
Rees (Capt.), T. H. - -	- - - -	6	March	1866	C.C.	5,148	5,148	Bank of Bombay shares.			-	-	-	1,914	-	-	1,795	
Rustomjee Bomanjee, B. - -	Shapoorjee, B. B. -	10	April	1864	Disct.	1,00,000	1,00,000	-	-	-	-	-	-	6,250	50,000		52,000	
Shapoorjee Bomanjee, B. - -	Rustomjee, B. B. - -	10	April	1864	Do.	1,00,000												
	Jamasjee, B. B. - -	14	Dec.	1864	Do.	1,50,000	2,50,000											
Advances under 1,000/ each - - - - -	- - - - -	-	-	-	-	500	500	-	-	-	-	-	-	-	-	-	500	
Total of transactions ending in loss - - - -	- - - - -	-	-	-	-	-	-	-	-	-	-	-	-	74,431	4,61,415		5,94,699	
3 outstandings not likely to cause loss. - - - -	- - - - -	-	-	-	-	-	-	-	-	-	-	-	-	12,800				
														87,231	4,61,415		5,94,699	

DHARWAR BRANCH.

Abdool Guffoor - -	Abdool Raheem - -	5	Oct.	1866	Disct.	1,000	1,000	-	-	-	-	-	-	936	-	-	800	
Alli M. Sheikh Ahmed - -	M. Hoossanisab - -	8	May	1865	Do.	1,800	1,800	-	-	-	-	-	-	550	550		550	
Allisat Kurreemsab - -	Kallapa Chenapa - -	26	July	1864	Do.	1,000	1,000	-	-	-	-	-	-	-	1,000		1,000	
Bheemrow Shreemas, G. - -	- - - -	24	April	1865	Do.	9,800	9,800	-	-	-	-	-	-	2,077	7,500		9,577	
Bhimapa Naik - - - -	- - - -		March	1865	Do.	70,000	70,000	-	-	-	-	-	-	5,424	47,057		47,057	
Bursapa bin Murbursupa - -	Dheardeve - -	17	Dec.	1866	Do.	2,000	2,000	-	-	-	-	-	-	1,183	-	-	1,183	
Bussetapa Sungapa, L. - -	Andamapa, L. - -	12	Aug.	1865	Do.	2,500	2,500	-	-	-	-	-	-	100	-	-	100	
Cullianapa Santapa - -	Veerpuxapa Cullianapa -	13	Dec.	1865	Do.	1,000	1,000	-	-	-	-	-	-	52	-	-	40	
Dhurmapa Singapa - -	Purropa Shetty - -	14	June	1864	Do.	10,000	10,000	-	-	-	-	-	-	-	10,000		10,000	
Ellapa Ramapa - - -	Munaysab Emansab -	8	April	1865	Do.	1,000	1,000	-	-	-	-	-	-	-	1,000		1,000	
Erashapa bin Roodrapa - -	Gamoo bin Sudoba -	4	Feb.	1865	Do.	4,000	4,000	-	-	-	-	-	-	750	-	-	160	
Esloorapa Tirpa - - -	- - - -	30	Jan.	1865	Do.	1,000	1,000	-	-	-	-	-	-	437	-	-	437	
Golapa Rungapa - -	Goondulchari, S. -	29	March	1865	Do.	1,000	1,000	-	-	-	-	-	-	-	1,000		1,000	
Gorsidapa Chunbursapa - -	Siringapa, S. - - -	9	Feb.	1865	Do.	3,000	3,000	-	-	-	-	-	-	3,000	-	-	3,000	
Govind Jeewajee, S. - -	- - - -	17	April	1865	Do.	15,000	15,000	-	-	-	-	-	-	5,016	10,000		10,000	
Govind Ramchunder - -	Chineiraschari, A. A. -	19	May	1865	Do.	2,000	-	-	-	-	-	-	-	-	2,000		2,000	
	Two others - -	23	Feb.	1865	Do.	1,200	3,200	-	-	-	-	-	-	-	1,200		1,200	
Hoossainsab Durjasab - -	Huthlasab, D. P. -	25	March	1865	Do.	2,000	2,000	-	-	-	-	-	-	-	2,000		2,000	
Hutlasab Rajasab - -	Govind Sheshuk - -	7	Nov.	1865	Do.	4,200	4,200	-	-	-	Property	-		3,200	-	-	1,200	
Mahomed H. Gooty - -	Gholamooddeen - -	18	April	1865	Do.	4,000	4,000	-	-	-	-	-	-	-	3,000		3,000	
Roodrapa Rachapa - -	Malecksab, D. - -	19	March	1865	Do.	6,000	6,000	-	-	-	-	-	-	-	4,234		4,234	
Satapa bin Burslingapa - -	Rahimtoola, K. - -	24	June	1865	Do.	2,262	2,262	-	-	-	-	-	-	500	-	-	100	
Shazada Mogul - -	Emansab, B. - -	18	Feb.	1865	Do.	1,000	1,000	-	-	-	-	-	-	-	928		928	
Veerbhudrapa Buchapa - -	R. Sidravrapa - -	11	Feb.	1865	Do.	1,000	1,000	-	-	-	-	-	-	-	186		186	
Chintoba Bhasker - -	- - - -	-	-	-	-	-	-	-	-	-	-	-	-	-	10,000		10,000	
Krishnapa Ginday - - -	- - - -	27	Jan.	1866	Do.	37,400	37,400	-	-	-	Bombay Bank shares.			7,900	30,000		33,000	
Luximon Vishnoo - -	Vittoba Ginday - -	9	June	1865	Do.	65,000	65,000	-	-	-	-	-	-	-	65,000		65,000	These 5 belong to the Belgaum section of the Branch.
Pandoorung Naik - - -	- - - -	-	-	-	-	4,000	4,000	-	-	-	-	-	-	-	4,000		4,000	
Purshotum Ambaidoss - -	- - - -	4	May	1864	Do.	3,500	3,500	-	-	-	-	-	-	3,067	-	-	3,068	
12 cases of advances under 1,000/ each.	- - - -	-	-	-	-	4,650	4,650	-	-	-	-	-	-	2,766	2,167		3,942	
Total of advances ending in loss - - - -	- - - -	-	-	-	-	-	-	-	-	-	-	-	-	36,958	2,02,822		2,19,762	
Balances of advances not likely to cause loss. - - - -	- - - -	-	-	-	-	-	-	-	-	-	-	-	-	4,459				
														41,417	2,02,822		2,19,762	

Statement showing the Details of the Overdue Advances that had caused Loss, or that were Outstanding, on the 31st December 1867—*continued.*

Names.	Details of Transactions.				Total Liability.	Securities deposited.		State of the Account on the Bank going into Liquidation.		Loss anticipated by the Liquidator.	Remarks.
	Other parties.	Date.	Nature.	Amount advanced.		At the Time of the Advances.	Subsequent to Receipt of Advances.	Out-standing.	Already Written off to Loss.		
KURRACHEE BRANCH.											
				Rs.	Rs.			Rs.	Rs.	Rs.	
Eastern Financial Association -	- - - -	23/27 March 1865	Disct.	2,20,000	2,20,000	- - -	- - -	- -	1,10,000	1,10,000	
Govindjee Megjee - - -	- - - -	13 Feb. 1865	Do.	5,000	5,000	- - -	- - -	- -	5,000	5,000	
Merwanjee Jamsetjee & Co. -	- - - -	31 May 1865	Do.	10,000							
		12 June 1865	Do.	20,000	- -	- - -	- - -	3,399	10,000	10,000	
	S. and N. Nanabhoy -	5 June 1865	Do.	25,000	55,000						
Sorabjee Dhunjebhoy - -	- - - -	17 June 1865	Do.	20,000	- -	Land.					
		5 July 1865	Do.	10,000	30,000	- - -	- - -	9,151	20,000	29,151	
Sorabjee and Naorojee Nanabhoy -	Merwanjee Jamsetjee & Co.	5 June 1865	Do.	25,000	25,000	- - -	- - -	15,625	- -	13,600	
								28,175	1,45,000	1,67,751	
OOMRAWUTTEE BRANCH.											
Balances not likely to lead to loss - - - - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	2,831			

Abstract of each Office:—			
Head Office - -	97,64,164	115,74,443	166,43,942
Kalbadevi Branch - -	3,12,388	16,26,348	19,01,160
Poona do. - -	2,67,652	2,95,400	4,31,549
Ahmedabad do. - -	2,38,509	5,41,488	6,38,484
Surat do. - -	87,231	4,61,415	5,94,699
Dharwar do. - -	41,417	2,02,822	2,19,762
Kurrachee do. - -	28,175	1,45,000	1,67,751
Oomrawuttee do. - -	2,831		
	A	B	C
Totals - -	107,42,367	148,46,916	205,97,347

A This total corresponds with the amount entered as outstanding in the closing account current of the Bank.

B The sums actually written off to Loss from time to time by the Bank were as follows:—

In January	1866, Rs.	4,83,000
„ September	1866,	36,21,060
„ February	1867,	104,07,425
Total up to Feb. 1867,		145,11,485

The difference between this and the amount B was subsequently written off to Loss.

C This amount is, of course, not identical with the amount of capital lost.

BANK OF BOMBAY.

List of all Advances ending in Loss at Date of the Bank going into Liquidation.

Part I.

Transactions at the Head Office in which the Advances were made before May 1865.

Name.	Other Parties.	Advances. Date.	Nature.	Amount.	Loss anticipated by the Liquidator.
Alliance Financial Corporation	In names of Directors, viz.: Diver, Hurban Nursee, Ghellabhoy Puddumsey, Atmaram Madhowjee, and Sewjee Velljee.	21st Oct. 1864	Disct.	5,00,000	3,87,375
Do.	Do.	8th Nov. 1864	C. C.	5,00,000	
Do.	Do.	22d April 1865	Disct.	78,000	
Do.	Do.	25th April 1865	Do.	28,000	
Ameerchund Beechurdass	None	22d April 1865	Do.	2,00,000	1,97,831
Ardaseer Cursetjee Dady	None	8th Dec. 1864	Do.	1,50,000	74,260
Ardaseer Limjee and Co.	Nusserwanjee Dorabjee	3d April 1865	Do.	10,000	3,820
Assaria Ludha	Puddumsey Veerjee & Co.	23d Feb. 1865	Do.	30,000	7,478
Atmaram Madhojee	Diver and others	19th Jan. 1865	Do.	60,000	13,317
Do.	Brice and Co.	21st Feb. 1865	Do.	30,000	19,277
Do.	Madoba Hurrychunder	31st March 1865	Do.	80,000	73,690
Bhow Dajee	Narayen Dajee	16th Nov. 1864	Do.	30,000	60,000
Do.	Do.	20th Dec. 1864	Do.	30,000	
Bhugwandass Mithachund	None	18th April 1865	Do.	25,000	25,000
Bhugwandass Purshotumdass	Pranjeevundass Toolseedass	13th Feb. 1865	Do.	50,000	8,000
Bomanjee Cursetjee Cama	None	9th Oct. 1863	C. C.	2,00,000	2,91,350
Do.	None	27th April 1865	Disct.	2,00,000	
Do.	Pestonjee Cursetjee Shroff	14th Feb. 1865	Do.	1,00,000	99,610
Brice and Co.	Macfarlane and others	21st April 1865	Do.	1,00,000	75,584
Brown, F. L.	Heycock and others	12th July 1864	Do.	50,000	45,138
Do.	Macfarlane	15th July 1864	Do.	30,000	19,400
Do.	Best, W. J.	25th Feb. 1865	F. L.	2,50,000	2,38,526
Burjorjee Rustomjee	Atmaram Madhojee	3d Feb. 1865	Do.	30,000	25,000
Burjorjee Sorabjee Lywalla	None	19th Jan. 1865	C. C.	50,000	45,000
Byramjee Hormusjee Cama	None	Before 1863	C. C.	47,774	9,45,900*
Do.	- - - -	30th Jan. 1864	C. C.	6,05,000	
Do.	- - - -	12th Sept. 1864	C. C.	98,260	
Do.	- - - -	14th Oct. 1864	F. L.	7,00,000	
Do.	- - - -	9th Feb. 1865	F. L.	94,800	
Do.	- - - -	6th April 1865	Disct.	1,00,000	
Do.	- - - -	13th April 1865	Do.	850	
Byramjee Nanabhoy Framjee	None	27th Dec. 1864	Do.	50,000	90,000
Do.	- - - -	25th Jan. 1865	Do.	50,000	
Campbell, John	Sydney Smith	10th Feb. 1865	Do.	50,000	40,000
Cooper, William	Hurban Nursey and others	2d Feb. 1865	Do.	60,000	20,250
Do.	Hormusjee Pestonjee	28th Feb. 1865	Do.	1,00,000	50,000
Cowasjee Muncherjee	None	26th Dec. 1864	Do.	50,000	9,959
Cowasjee Rustomjee Pochajee	S. and N. Nanabhoy	16th March 1865	C. C.	1,00,000	98,800
Cursetjee Furdonjee	None	1st Oct. 1864	F. L.	3,20,000	10,25,520
Do.	- - - -	28th Dec. 1864	F. L.	6,25,000	
Do.	- - - -	16th Jan. 1865	F. L.	3,00,000	
Do.	- - - - Began	19th Dec. 1864	Over draft	2,08,366	
Do.	- - - - Closed	11th April 1866			
Cursetjee Hormusjee Chinoy	Jeehangeer Hormusjee Chinoy	2d March 1865	Disct.	50,000	9,489
Cursetjee Merwanjee	Read and Wesche	26th Jan. 1865	Do.	50,000	21,335
Cursetjee Sorabjee Wadia	None	19th April 1865	Do.	50,000	8,149
Cursondass Batherdass	Sorabjee Byramjee Colah	6th Jan. 1865	Do.	50,000	87,866
	Do.	1st March 1865	Do.	50,000	
Cursondass Lukmeedass	None	24th April 1865	Do.	50,000	40,000
Cursondass Madhodass	None	31st Aug. 1864	O. L.	11,00,000	7,81,308
Dadabhoy Byramjee & Co.	None	17th Oct. 1863	C. C.	1,00,000	2,21,793
		6th June 1864	C. C.	1,00,000	
		18th April 1865	Disct.	1,00,000	
Dadabhoy Rustomjee Patell	Bujorjee Dorabjee	21st Dec. 1864	Do.	25,000	5,758
Dady Nusserwanjee Dady	Jeejeebhoy Jehangeer	20th Feb. 1865	Do.	1,00,000	33,400
Davidass Purshotumdass	Maneeklall Purshotumdass	9th Jan. 1865	Do.	75,000	45,000
Davidass Lukmeedass	Jumnadass Doolubdass	24th Feb. 1865	Do.	75,000	69,595
Dhunjeebhoy Framjee	None	20th March 1865	F. L.	2,50,000	1,10,000
Dinshaw Ardaseer Davur	Bazonjee E. Rustomjee	11th Feb. 1865	Disct.	25,000	20,000
Dossabhoy Hormusjee Patell	None	27th Oct. 1864	F. L.	50,000	10,500
Dossabhoy Merwanjee & Co.	None	24th Feb. 1865	Disct.	1,00,000	52,671
Eastern Financial Association	None	18th Oct. 1864	Do.	10,00,000	9,03,743
		16th March 1865	C. C.	2,00,000	
Framjee Ardaseer Davur	Macfarlane	18th Feb. 1865	Disct.	30,000	21,186
Fraser, A. G.	None	19th April 1865	Do.	4,000	2,377
Gopalrao Bulwunt	Pranjeevundass Hurjeevundass	21st Jan. 1865	Do.	50,000	45,000
Ghellabhoy Puddumsey	None	7th March 1865	Do.	1,00,000	17,181
Govind Girdhur	Moteelall Bajeelall	3d April 1865	Do.	50,000	44,044
Hajee Rahimtoola Gholam	Mahomed Pereira & Co.	24th March 1865	Do.	10,000	9,401
Homejee Cursetjee Dady	None	13th March 1865	Do.	1,00,000	58,857
			Rs.	103,15,050	66,08,738

* The sums here shown as advanced to Byramjee Hormusjee Cama are the balances of the respective accounts on the 10th May 1866, and not the amounts originally advanced or the real limits of the Cash Credits.

LIST of all ADVANCES ending in Loss—*continued.*

PART I.

Transactions at the Head Office in which the Advances were made before May 1865—*continued.*

Name.	Other Parties.	Advances.			Loss anticipated by the Liquidator.
		Date.	Nature.	Amount.	
	Brought forward	- - -	Rs.	103,15,050	66,08,738
Hormusjee Jamsetjee Sons & Co.	None	18th Nov. 1864	Disct.	1,00,000	32,193
Hormusjee Merwanjee	None	18th April 1865	Do.	25,000	24,136
Howard, E. J.	None	6th Feb. 1865	Do.	50,000	23,032
Frith & Co.	None	13th Jan. 1865	Do.	10,000	14,250
Do.	-	30th March 1865	Do.	10,000	
Hunsraj Malljee	Runchardass, Khemjee, & Co.	5th Jan. 1865	Do.	30,000	6,749
Hurruckchund Lowchund	None	20th April 1865	Do.	25,000	19,974
Hurst, W. A.	Passmore & Co.	27th Feb. 1865	Do.	15,000	11,620
Huschke & Co.	Naorajee Ardaseer Davur	4th Feb. 1865	Do.	75,000	52,698
Do.	Do.	3d March 1865	Do.	60,000	
Do.	Do.	23d March 1865	Do.	40,000	
Imperial Banking & Trading Coy.	None	8th Dec. 1864	Do.	5,00,000	1,30,000
Jaitha Jairaj	Purbhoobhoy Nagurbhoy	16th Jan. 1865	Do.	50,000	19,800
Sir Jamsetjee Jeejeebhoy	None	10th Jan. 1865	C. C.	5,00,000	59,376
Javerlall Uniashunker & Co.	None	12th April 1865	Disct.	50,000	1,45,290
Do.	-	20th April 1865	Do.	80,500	
Do.	-	27th April 1865	Do.	94,500	
Jeejeebhoy Dhunjeebhoy	None	30th Jan. 1865	Do.	50,000	50,000
Jewraj Ramdass & Co.	Vullubdass Jeiraj	30th Jan. 1865	Do.	50,000	4,891
Jumnadass Doolubdass	None	2d April 1865	Do.	1,50,000	2,65,837
Do.	-	25th April 1865	Do.	1,22,000	
Jumnadass Khoosaldass	None	16th March 1865	Do.	1,00,000	40,000
Kattywar Trading Co.	In name of Promoters	16th March 1865	Do.	1,00,000	25,513
Khetsey Sewjee & Co.	None	23d Feb. 1865	Do.	50,000	49,420
Khuttow Khimjee	Premchund Roychund	26th April 1865	Do.	40,000	35,417
Kummulsey Premjee	None	4th April 1865	O. L.	3,00,000	2,36,846
Leggett, Charles	Noor, Mahomed, & Co.	22d June 1864	Disct.	30,000	21,821
Lulloobhoy Manecklall	None	13th April 1865	Do.	25,000	23,180
Macculloch, H. B.	Crawford, W. H.	5th April 1865	C. C.	1,00,000	1,00,000
Macculloch, John, & Co.	None	27th Dec. 1864	C. C.	1,00,000	72,861
Macfarlane, J.	Merwanjee Nusserwanjee B.	22d June 1864	Disct.	15,000	7,850
Maclean, J. M.	None	21st March 1865	Do.	25,000	59,204
Do.	None	27th April 1865	Do.	52,800	
Manockjee Framjee	Sorabjee Burjorjee	4th Feb. 1865	Do.	15,000	10,430
Manockjee Limjee & Co.	None	14th Jan. 1865	C. C.	5,00,000	2,64,678
Manockjee Pestonjee Tubac	None	12th Jan. 1865	Disct.	30,000	16,619
Merwanjee Nusserwanjee Bhownugger	None	21st Jan. 1865	Do.	1,50,000	1,25,000
Muncherjee Dadabhoy	Muncherjee Hormusjee	22d March 1865	Do.	30,000	20,000
Muncherjee Framjee Colah	None	20th Oct. 1864	C. C.	50,000	33,100
Munsookbhoy Culliandass	None	18th April 1865	Disct.	60,000	30,000
Myabhoy Premabhoy	-	26th April 1865	Do.	4,00,000	2,80,000
Nanlall Vishajee	None	18th April 1865	Do.	25,000	23,700
Navalchund Nanchund	None	24th Feb. 1865	O. L.	2,00,000	3,88,932
Do.	-	13th April 1865	O. L.	4,00,000	
Pelly, S. M.	W. C. Currie	28th Nov. 1864	F. L.	50,000	43,750
Pestonjee Byramjee Colah	Byramjee Ardaseer Davur	7th Feb. 1865	Disct.	30,000	50,000
Do.	Bazonjee Eduljee Rustomjee	22d Feb. 1865	Do.	20,000	
Pestonjee Cursetjee Shroff	None	2d July 1864	C. C.	60,000	4,85,377
Do.	None	18th Oct. 1864	C. C.	40,000	
Do.	None	19th Dec. 1864	F. L.	97,000	
Do.	None	21st April 1865	F. L.	5,00,000	
Pestonjee Naorojee Khras	None	18th April 1865	Disct.	25,000	13,655
Pranjeevundass Toolseedass	Succulall Bhuccaubhoy	25th April 1865	Do.	16,000	14,135
Premabhoy Hemabhoy	-	31st Aug. 1864	F. L.	5,00,000	1,94,607
Premchund Roychund	None	Aug. & Sept. 1864	F. L.	9,00,000	7,46,347
Do.	-	1st April 1865	Overdraft	1,62,839	
Purbhoobhoy Nagurbhoy	Pussoo, J., & Nanabhoy, K.	28th Feb. 1865	Disct.	30,000	28,000
Rugoonath Wittoba	None	6th April 1865	Do.	1,00,000	69,156
Rustomjee Ardaseer	Dadabhoy Nusserwanjee	24th March 1865	Do.	50,000	41,000
Rustomjee J. Jeejeebhoy	Sorabjee, J. Jeejeebhoy	14th July 1864	C. C.	5,00,000	3,85,611
Do.	None	22d July 1864	Disct.	2,21,000	
Rustomjee Merwanjee, N.	None	11th Nov. 1864	Do.	35,000	30,000
Sapoorjee Ardaseer	None	17th March 1865	Do.	50,000	6,000
Sapoorjee Dhunjeebhoy	None	14th Dec. 1864	Do.	3,00,000	2,50,000
Do.	Byramjee Maneckjee	20th April 1864	Do.	1,00,000	70,000
Sassoon, J. A.	None	16th March 1865	Do.	1,00,000	50,000
S. Tyabjee & Co.	None	4th Jan. 1865	Do.	20,000	33,369
Do.	None	8th March 1865	Do.	40,000	
Sewjee Nansey & Co.	None	20th Feb. 1865	Do.	1,00,000	45,447
Sorabjee Jamasjee Lalla	None	16th Jan. 1865	Do.	50,000	7,110
Taylor, G.	Diver & Atmaram Madhojee	11th Oct. 1864	F. L.	5,50,000	5,50,000
Do.	None	28th Dec. 1864	F. L.	2,00,000	91,358
Do.	Diver	10th Jan. 1865	Disct.	2,00,000	1,95,000
Taylor, R. L.	None	5th Jan. 1865	Do.	11,600	7,000
Trenn, S.	None	21st Oct. 1864	Do.	3,000	3,000
Watson, W.	None	26th Dec. 1864	Overdraft	20,424	14,360
Wright & Co.	Byramshaw Dhunjeebhoy	16th March 1865	C. C.	50,000	25,000
			Rs.	203,31,713	127,82,437

LIST of all ADVANCES ending in Loss—*continued.*

PART II.

Transactions at the Head Office in which the Advances were made after April 1865.

Name.	Other Parties.	Advances. Date.	Nature.	Amount.	Loss anticipated by the Liquidator.
Ardaseer Cursetjee Furdoonjee	None	3d May 1865	Disct.	30,000	24,281
Asiatic Banking Corporation	None	7th May 1866	Overdraft.	19,66,567	4,50,000
Bendir, P. E.	None	16th Dec. 1865	Disct.	10,000	1,670
Bomanjee Framjee Cama	Framjee B. Cama	1st May 1865	Do.	1,00,000	18,282
Bombay Joint Stock Corporation	None	2d Oct. 1865	Do.	5,00,000	1,50,881
Byramjee Hormusjee Cama	None	1st May 1865	F. L.	1,25,000	75,000
Byramjee Nusserwanjee Dantra	Pestonjee Byramjee Colah	14th Dec. 1865	O. L.	16,000	6,000
Candass Narondass	None	27th Sept. 1865	Disct.	2,00,000	33,361
Cassambhoy Nattabhoy Sons & Co.	None	27th May 1865	Do.	1,50,000	93,910
Cowasjee Rustomjee Pochajee	S. & N. Nanabhoy	August 1865	Do.	82,000	38,873
Crawford, W. H.	None	4th May 1866	Do.	1,00,000	23,000
De Quadros & De Lemos	No others	1st Sept. 1865	Do.	50,000	14,361
Dhunjeebhoy Byramjee	None	7th Aug. 1865	C. C.	55,000	27,500
Dossabhoy Dhunjeebhoy	None	27th May 1865	Do.	30,000	44,552
Do.	"	21st Aug. 1865	Do.	70,000	
Dossabhoy Merwanjee & Co.	None	23d May 1865	Do.	2,00,000	1,58,014
Do.	"	17th March 1866	Do.	1,00,000	
Homejee Cursetjee Dady	None	19th Sept. 1865	Do.	75,000	44,143
Hormusjee Cursetjee	None	28th March 1866	C. C.	20,600	25,000
Do.	"	5th April 1866	C. C.	15,000	
Hormusjee Dhunjeebhoy Gheesta	Taylor & Co.	21st March 1866	Disct.	30,000	3,010
Jaisingbhoy Hutteesing	None	6th May 1865	Do.	2,00,000	64,892
Do.	"	24th June 1865	Do.	1,00,000	
Hurruckchund Lowchund	Munmohundass Rugonathjee	15th May 1865	Do.	50,000	39,948
Do.	None	7th Oct. 1865	C. C.	17,504	
Kaikusrao Eduljee Mody	Eduljee, C. Mody	6th Sept. 1865	Disct.	25,000	21,904
Khuttow Khemjee	Premchund Roychund	12th Sept. 1865	Do.	2,00,000	1,14,583
Maneckjee Limjee & Co.	None	5th June 1865	O. L.	4,00,000	2,11,743
Merwanjee Nusserwanjee Patell	Macindoe Rogers & Co.	6th July 1865	Disct.	2,00,000	78,803
Muncherjee Jamsetjee & Sons	None	1st June 1865	Do.	60,000	12,500
Pestonjee Nowrojee Khras	None	25th Aug. 1865	Do.	50,000	27,311
Premabhoy Hemabhoy	None	15th May 1865	Do.	3,00,000	1,94,608
Do.	None	24th June 1865	Do.	2,00,000	
Premchund Roychund	Sundry Co-obligants	27th April 1866	C. C.	25,00,000	13,32,763
Reynolds, Major W.	None	14th Oct. 1865	C. C.	3,000	1,500
Roychund Deepchund	None	4th May 1865	C. C.	95,368	57,984
Do.	None	28th Aug. 1865	C. C.	1,00,000	
Ryland, J. H.	None	6th May 1865	Overdraft	29,643	21,802
Rustomjee, J. Jeejeebhoy	& Co.	15th Dec. 1865	C. C.	2,10,000	2,59,389
Do.	None	*5th April 1865	C. C.	3,00,000	
Do.	Sorabjee, J. Jeejeebhoy	17th July 1865	C. C.	1,75,000	
Do.	Do.	22d July 1865	Do.	1,00,000	
Sorabjee Pestonjee Framjee	Gubboy	4th Oct. 1865	C. C.	2,50,000	53,256
Veerchund Deepchund	None	1st May 1865	Do.	1,00,000	22,549
Vigbhucan Atmaram	Nurbeerun Chabildass	16th April 1866	O. L.	8,800	8,700
			Rs.	95,99,482	37,56,073

PART III.

Transactions at the Branches in which the Advances were made before 1st May 1865.

Name.	Other Parties.	Advances. Date.	Nature.	Amount.	Loss anticipated by the Liquidator.
KALBADEVI BRANCH.					
Atmaram Madhojee	Burjorjee Rustomjee	16th Dec. 1864	Disct.	2,50,000	2,18,950
Bharmul Purbut & Co.	M'Culloch, John, & Co.	15th March 1865	Do.	25,295	23,321
Bhow Dajee	Narayen Dajee	25th Jan. 1865	Do.	50,000	53,664
Do.	Do.	16th Feb. 1865	Do.	25,000	
Burjorjee Rustomjee	Davidass Lukmidass	1st Feb. 1865	Do.	5,00,000	4,19,816
Cursondass Lukmidass	Purbhoobhoy Nagurbhoy	20th Feb. 1865	Do.	20,000	19,874
Davidass Lukmidass	Ramdass Toolseedass	7th Jan. 1865	Do.	1,00,000	3,22,460
Do.	Jumnadass Doolubdass	7th Jan. 1865	Do.	3,25,000	
Do.	"	16th March 1865			
Do.	None	28th March 1865	Do.	13,000	
Gopalrao Bulwunt	Pranjeevundass, H.	1st Feb. 1865	Do.	60,000	59,300
Govindhurry Waleka	Gungaram Buldeo	11th Jan. 1865	Do.	50,000	17,000
Govindjee Jeewanjee	Hurrichund Hurrishunker	30th Jan. 1865	Do.	10,000	9,800
Heerjee Arut	Megjee Velljee	11th Jan. 1865	Do.	25,000	12,293
Hurrichund Hurrishunker	Venayek Trimbuk	24th Jan. 1865	Do.	1,15,000	1,85,074
Do.	Atmaram Madhojee	27th Jan. 1865	Do.	1,01,000	
			Rs.	16,69,295	13,41,552

* Originally an overdrawn account, which became a C. C. with securities in April 1866.

List of all Advances ending in Loss—*continued.*

PART III.

Transactions at the Branches in which the Advances were made before the 1st May 1865—*cont.*

Name.	Other Parties.	Advances. Date.	Nature.	Amount.	Loss anticipated by the Liquidator.
	Brought forward -	- - -	Rs.	16,69,295	13,41,552
Lisboa - - - -	Gomes - - -	5th Jan. 1865	Disct.	60,000	28,300
Megjee Mooljee - - -	Cooverjee Premjee - -	11th Jan. 1865	Do.	25,000	3,500
Narobaskur - - - -	Govind Narain - -	8th March 1865	Do.	20,000	6,565
Ruttunjee Ludhanee - -	Kisonjee Kanjee - - -	20th Feb. 1865	Do.	20,000	10,150
Sorabjee Muncherjee - - -	Burjorjee Sorabjee - -	7th March 1865	Do.	5,000	800
Veerjee Isherjee - - -	Alone - - - -	4th March 1865	Do.	18,000	18,014
Vitul Narain - - - -	Alone - - - -	24th March 1865	Do.	10,000	8,580
			Rs.	18,27,295	14,17,461
POONA BRANCH.					
Govind Ramchunder - -	Wamna Ramchunder - -	1864	Disct.	2,16,000	1,86,714
Sumbhajee Ranojee - - -	- - - -	30th May 1864	Do.	10,000	10,000
Nagoba Boorunder - - -	- - - -	2d June 1864	Do.	49,800	27,552
Rowjee Khetnee - - -	- - - -	2d March 1865	Do.	50,000	50,000
H. Streetfield - - -	Bunnajee Bowjee - -	25th May 1864	Do.	3,000	3,488
J. Hastings - - - -	- - - -	23d Aug. 1864	Do.	3,000	1,900
Bunnojee Bhowjee - - -	- - - -	4th Aug. 1864	Do.	5,000	5,122
H. V. Faulconer - - -	- - - -	2d Dec. 1864	Do.	2,500	1,150
Major Soppitt - - -	- - - -	3d Oct. 1864	Do.	1,200	1,184
Captain J. Smythe - - -	- - - -	23d Aug. 1864	Do.	3,500	2,900
Trimbuck Succaram - -	- - - -	21st Nov. 1864	Do.	10,000	2,251
Major Wood - - - -	Major Ross - - -	5th Dec. 1864	Do.	20,000	19,468
Captain Holland - - -	Major Wood - - -	4th April 1865	Do.	26,750	16,000
Dorabjee Pestonjee Patell - -	- - - -	4th Jan. 1865	Do.	45,000	30,800
Captain Holland - - -	- - - -	16th Jan. 1865	Do.	9,000	3,220
Captain Haig - - - -	- - - -	21st April 1865	Do.	22,000	6,500
			Rs.	4,76,750	3,68,229
AHMEDABAD BRANCH.					
Chotalall Jumnadass - -	Tulloo Virjeevun - -	22d Jan. 1864	C.C.	6,000	3,681
Pranlall Achruttall - - -	Sudashunker Bapoojee, &c. -	8th Sept. 1864	Disct.	12,000	2,684
Muncherjee Sorabjee - -	Manockjee Muncherjee -	19th Sept. 1864	Do.	30,000	55,000
Major Holt - - - -	Major Farquharson - -	18th Nov. 1864	Do.	5,000	4,090
Captain L'Estrange - -	Major Burrows - - -	10th Jan. 1865	C.C.	30,000	22,322
Major Black - - - -	Major Farquharson - -	20th Jan. 1865	C.C.	10,000	10,000
Bhanabhoy Tricumdass - -	Muggunlall, &c. - - -	28th Feb. 1865	C.C.	1,25,000	17,036
Major Wilson - - - -	Captain Galloway - -	4th March 1865	C.C.	20,000	10,710
Moteeram Nurbeyram - -	- - - -	31st March 1865	Overdt.	117	122
Goojrat Trading Company - -	- - - -	21st April 1865	C.C.	75,000	67,666
			Rs.	3,13,117	1,93,311
SURAT BRANCH.					
Atmaram Bicaridass - -	- - - -	3rd March 1865	Disct.	15,000	9,391
Rustomjee Bomanjee, B. - -	Shapoorjee Bomanjee, B. -	10th Sept. 1864	Do.	10,000	52,000
Jamasjee Bomanjee, B. - -	Rustomjee Bomanjee, B. -	14th Dec. 1864	Do.	1,50,000	75,200
Pestonjee Meerwanjee - -	Rustomjee Merwanjee - -	15th Dec. 1864	Do.	25,000	25,000
Nusserwanjee, B. B. - -	Anopsha Rajaram - -	20th Dec. 1864	Do.	25,000	21,000
Cowashaw Rustomjee - - -	Sorabshaw Bowashaw - -	14th Nov. 1864	Do.	53,738	51,368
Ferozeshaw Shapoorjee - -	Pestonjee Merwanjee, &c. -	22d Nov. 1864	Do.	70,000	49,971
Eduljee Cursetjee Mody - -	Narotun Tricum - -	1864	Do.	12,500	10,500
Merwanjee Nusserwanjee - -	- - - -	2d March 1865	Do.	45,337	43,000
			Rs.	4,06,575	3,37,430
DHARWAR BRANCH.					
Gorsidapa Chumbusapa - -	Siringapa Simgunbusapa - -	9th Feb. 1865	Disct.	3,000	3,000
Govindhur Despandy - -	Dadun Bhunnajee - -	22d Feb. 1865	Do.	200	200
Hoosseinsab Durjasab - -	Huttesab, D. P. - - -	25th March 1865	Do.	2,000	2,000
Golapa Rungapa - - -	Gundulchari Shunevaschar -	29th March 1865	Do.	1,000	1,000
Ellapa Ramapa, C. - - -	Munnaysab Emansab - -	8th April 1865	Do.	1,000	1,000
Mahomed H. Gooty - -	Gholamooddeen - - -	18th April 1865	Do.	4,000	3,000
Venkatrao Ramajee - - -	Savanoor, S. B., &c. - -	23d Feb. 1865	Do.	1,200	1,200
Esloorapa Tirpa - - -	Sundry - - - -	30th Jan. 1865	Do.	1,000	437
Eerashapa bin Roodrapa - -	Ganoo bin Sadoba - -	4th Feb. 1865	Do.	4,000	160
Bheenarow Shreem Goonachari -	- - - -	24th April 1865	Do.	9,800	9,577
Govind Jeewajee Shishore - -	- - - -	17th April 1865	Do.	15,000	10,000
Dhurmapa Singapa - - -	Parapa Shetty - - -	14th June 1864	Do.	10,000	10,000
Ali Sab Kurreemsab - -	Kullepa Chenapa - -	26th July 1864	Do.	1,000	1,000
Huttesab Imamsab - - -	Fakroodeen, J. - -	March 1864	Do.	500	500
Virbhudrapa Bachapa - -	R. Sidravrapa - - -	11th Feb. 1865	Do.	1,000	186
Ballapa Ellapa - - - -	Chewerapa Mensincarjee -	13th Jan. 1865	Do.	500	500
Koodriapa Buchapa - - -	Mallicksab Dowalsab - -	19th March 1865	Do.	6,000	4,234
Fukroodeen Syud Kadir - -	Shaik Mahomed - - -	20th March 1865	Do.	500	367
			Rs.	61,700	48,361

List of all Advances ending in Loss—*continued.*

PART III.

Transactions at the Branches in which the advances were made before the 1st May 1865—*cont.*

Name.	Other Parties.	Advances. Date.	Nature.	Amount.	Loss anticipated by the Liquidator.
	Brought forward -		Rs.	61,700	48,361
Shazada Mogul - - -	Emansab Byramsab - -	18th Feb. 1865	Disct.	1,000	928
Bhimapa Naik - - -	- - - -	March 1865	Do.	70,000	47,057
Purshotum Ambaidass - -	- - - -	4th May 1864	Do.	3,500	3,068
Chetoobee Munnysab - -	Hussunsab Huttulsab - -	20th March 1865	Do.	500	120
			Rs.	1,36,700	99,534
	KURRACHEE BRANCH.				
Govindjee Medjee - - -	- - - - -	13th Feb. 1865	Disct.	5,000	5,000
Eastern Financial Association -	- - - - -	$\frac{24}{27}$ March 1865	Do.	2,20,000	1,10,000
			Rs.	2,25,000	1,15,000

PART IV.

TRANSACTIONS at the BRANCHES in which the Advances were made after April 1865.

	KALBADEVI BRANCH.				
Atmaram Madhojee - -	Toolsedass Permanundass -	17th May 1865	Disct.	90,000	96,594
Burjorjee Rustomjee - - -	Alone - - - -	2d Sept. 1865	Do.	15,000	4,400
Dadabhoy Jeewanjee - -	Cursetjee Furdonjee, &c. -	26th May 1865	Do.	35,000	34,183
Gungadass Toolseedass - -	Vitzbucundass, L. - -	25th May 1865	Do.	15,000	10,641
Hurst, W. A. - - -	Alone - - - -	19th June 1865	Do.	13,450	9,022
Jeejeebhoy Dhunjeebhoy - -	Toolseydass Permanundass -	17th May 1865	Do.	35,000	33,400
Khooshal Veerjee - - -	Sawchund Jugjeevun - -	15th Sept. 1865	Do.	3,700	3,399
Madhoba Hurrichundra - -	Alone - - - -	4th May 1866	Do.	25,000	22,400
Mahasookram Soorujram - -	Alone - - - -	3d May 1865	Do.	7,500	3,750
Maneckchund Toolseydass - -	Alone - - - -	12th Feb. 1866	Do.	5,000	1,250
Macculloch, John, & Co. - -	Bharmul Purbut, &c. - -	12th April 1866	Do.	26,355	18,400
Narainbhoy Tapidass - - -	Alone - - - -	12th May 1865	Do.	15,000	12,850
Nusserwanjee Nowrojee -	Gungadass Toolseedass -	26th May 1865	Do.	1,00,000	77,265
Pranjeevundass Doolubdass - -	Alone - - - -	17th May 1865	Do.	18,000	7,269
Pranjeevundass Hurjeevundass -	Ramdass Bapoobhoy - -	26th May 1865	Do.	80,000	41,180
Premabhoy Hemabhoy - -	Alone - - - -	26th March 1866	Do.	45,000	18,266
Ramchunder Balcrisna - -	Alone - - - -	19th June 1865	Do.	9,000	3,408
Roychund Deepchund - -	Alone - - - -	24th April 1866	Do.	40,000	6,062
Sewjee Velljee - - -	Nagree Kirpul - - -	2d Oct. 1865	Do.	1,25,000	66,666
Tamuljee Dadabhoy - -	Alone - - - -	7th Feb. 1866	Do.	3,000	1,000
Vindravundass Itchalal - -	Alone - - - -	12th Sept. 1865	Do.	7,000	7,460
Vitzbookundass Hurribhoy -	Calliandass Narotun - -	5th Sept. 1865	Do.	40,000	4,834
		5th Dec. 1865			
			Rs.	7,53,005	4,83,699
	POONA BRANCH.				
Trimbuck Gungadhur - -	- - - - -	27th Nov. 1865	Disct.	5,000	4,907
Venayek Mahadeo Moorun -	- - - - -	22d May 1865	Do.	5,000	4,864
Damoodhur Sudaser - -	- - - - -	2d May 1866	Do.	5,000	5,075
Major Wood - - - -	- - - - -	25th Sept. 1865	Do.	22,500	8,000
		10th March 1866	Do.	2,500	
		25th Sept. 1866	Overdt.	1,871	1,871
Coossuldass Damodhur - -	- - - - -	$\frac{16}{18}$ April 1866	Disct.	13,000	6,558
Bhedulrow Bapoojee - - -	Venayek Bhugwunt - -	11th Oct. 1865	Do.	20,000	5,000
Damodhur Bapoobhoy - -	Abajee Mahiput - - -	Sept. 1865	Do.	32,000	5,000
Dadabhoy Cowasjee - - -	- - - - -	13th Dec. 1865	Do.	27,000	13,500
Sookaram Hureeatray - -	- - - - -	19th Feb. 1866	Do.	5,000	700
Captain Holland - - -	- - - - -	25th June 1866	Do.	13,000	4,659
E. Brooke - - - -	- - - - -	1st July 1867	Overdt.	200	200
C. H. Collett - - - -	- - - - -	3d April 1867	Overdt.	22	22
Captain Sellon - - -	- - - - -	7th May 1866	Overdt.	2,750	2,564
			Rs.	1,54,843	62,920
	AHMEDABAD BRANCH.				
Goozrat Trading Company - -	- - - - -	28th May 1865	Disct.	25,000	—
		3d June 1865	Do.	20,000	1,30,500
		2d Aug. 1865	Do.	1,00,000	—
Chotabhoy Motichund -	Bhanabhoy Moteechund -	$\frac{12}{27}$ May 1865	Do.	35,000	6,162
Tribhowun Setha - - -	- - - - -	5th June 1865	Do.	5,000	420
Muggunbhoy Huttehsingh - -	- - - - -	28th June to 2d July 1865	Do.	3,50,000	3,07,862
Dr. Hawkins - - - -	- - - - -	6th April 1866	Overdt.	229	229
			Rs.	5,35,229	4,45,173

List of all Advances ending in Loss—*continued.*

PART IV.

Transactions at the Branches in which the Advances were made after April 1865—*cont.*

Name.	Other Parties.	Advances. Date.	Nature.	Amount.	Loss anticipated by the Liquidator.
		SURAT BRANCH.			
H. S. Parkinson	T. H. Rees	11th July 1866	Disct.	1,200	1,200
Balkishundass Muncharam	-	1st May 1865	C.C.	88,000	45,750
Captain T. H. Rees	-	6th March 1866	C.C.	5,148	1,795
Eastern Financial Association	-	27th March 1866	Disct.	2,00,000	2,00,000
			Rs.	2,94,348	2,48,745
		DHARWAR BRANCH.			
Alli A. Sheikh Ahmed	M. Hoossein Sab Gunjewalleh	8th May 1865	Disct.	1,800	550
Imamkhan Rustumkhan	Hooseinsab Sodagur	10th May 1865	Do.	500	500
Govind Ramchunder Savanoor	Chimeras Chari	19th May 1865	Do.	2,000	2,000
Coomar Swamy Sootar	Barsapa Maistry	20th May 1865	Do.	200	200
Do.	Baba bin Chenapa	13th June 1865	Do.	200	150
Raja Sutipa Govimkapa	Balapa Doorgapa Tulwar	25th May 1865	Do.	400	400
Noor Mahomed	Hoossain Sab. L. M. L.	16th June 1865	Do.	400	400
Bustapa Singapa Luccondy	Andamapa, M. L.	12th Aug. 1865	Do.	2,500	100
Vitul Govind	Chumbaswapa Tumnaik	6th Sept. 1865	Do.	500	300
Huttesab Rajasab	Govind, S. K.	7th Nov. 1865	Do.	4,200	1,200
Satapa bin Buslingapa	Rahimtoola Khaberbhoy	24th June 1865	Do.	2,262	100
Abdool Guffoor, &c.	Abdool Rymon, &c.	5th Oct. 1866	Do.	1,000	800
Birsapa bin Murbusapa	Dheardev	17th Dec. 1866	Do.	2,000	1,183
Sewapa bin Shasapa	Fakeerapa Mudapa	13th Oct. 1865	Do.	250	305
Cullianapa Santapa	Veerpuxapa Cullianapa	13th Dec. 1865	Do.	1,000	40
Luxumon Vishnoo	Vitoba Ginday	9th June 1865	Do.	65,000	65,000
Krishnapa Ginday	-	27th Jan. 1866	Dc.	37,400	33,000
			Rs.	1,21,612	1,06,228
		KURRACHEE BRANCH.			
Meerwanjee Jamsetjee & Co.	-	12th June 1865	Disct.	20,000	10,000
Do.	-	31st May 1865	Do.	10,000	
Sorabjee Dhunjeebhoy & Co.	-	17th June 1865	Do.	20,000	29,151
Do.	-	5th July 1865	Do.	10,000	
Nanabhoy	Meerwanjee Jamsetjee	5th June 1865	Do.	25,000	13,600
			Rs.	85,000	52,751

PART V.

Losses not ascertainable as incurred at any particular date.

	POONA BRANCH.			
Captain Seton	Disct.	800	400	
	Rs.	800	400	
	SURAT BRANCH.			
Govindjee Muggin	Disct.	8,524	8,024	
Revd. G. Tubbs	Do.	500	500	
	Rs.	9,024	8,524	
	DHARWAR BRANCH.			
Chintoba Bhaskur	Disct.	10,000	10,000	
Pandoorung Naik	Do.	4,000	4,000	
	Rs.	14,000	14,000	
	SUNDRY BRANCHES, of which the Total was transferred to Head Office.			
Sewamorty Ainapoory	Disct.	217,969	105,432	

SUMMARY of LOSSES according to Periods when Advances were made.

	Before May 1865.	After April 1865.	Unknown Dates.	Total.
Head Office	Rs. 1,27,82,437	37,56,073	1,05,432	1,66,43,942
Kalbadevi	14,17,461	4,83,699	—	19,01,160
Poona	3,68,229	62,920	400	4,31,549
Ahmedabad	1,93,311	4,45,173	—	6,38,484
Surat	3,37,430	2,48,745	8,524	5,94,699
Dharwar	99,534	1,06,228	14,000	2,19,762
Kurrachee	1,15,000	52,751	—	1,67,751
Total Rupees	1,53,13,402	51,55,589	1,28,356	2,05,97,347

BANK OF BOMBAY.

LIST of ADVANCES made at the HEAD OFFICE on a single Name without Security, RESULTING IN LOSS.

Name.	Advance. Date.	Nature.	Amount.	Loss anticipated by the Liquidator.	Remarks.
	Before May 1865.				
1 Ardaseer Cursetjee Dady - -	8 Dec. 1864	Disct.	1,50,000	74,260	
2. Bomanjee Cursetjee Cama - -	9 Oct. 1863	C.C.	2,00,000	} 2,78,400	
Do. - - - -	27 April 1865	Disct.	2,00,000		
3. Burjorjee Sorabjee Lywalla - -	19 Jan. 1865	C.C.	50,000	45,000	
4. Byramjee Horumsjee Cama - -	Before 1863	C.C.	47,774	} 9,45,900	These advances are not the original amounts, but the balances on 19th May 1866.
	12 Sept. 1864	C.C.	98,260		
	14 Feb. 1864	F.L.	7,00,000		
	9 Feb. 1865	F.L.	94,800		
	6 April 1865	Disct.	1,00,000		
	13 April 1865	Do.	850		
5. Byramjee Nanabhoy Framjee - -	27 Dec. 1864	Do.	50,000	} 90,000	
	25 Jan. 1865	Do.	50,000		
6. Cowasjee Muncherjee - -	26 Dec. 1864	Do.	50,000	9,959	
7. Cursetjee Furdoonjee - - -	1 Oct. 1864	C.C.	3,20,000	} 9,79,613	Shares to have been given, but delayed.
	19 Dec. 1864	Overdt.	2,08,366		
	28 Dec. 1864	F.L.	6,25,000		
	16 Jan. 1865	F.L.	3,00,000		
8. Cursondass Luckmidass - -	24 April 1865	Disct.	50,000	40,000	
9. Cursondass Madhowdass - -	24 Aug. 1864	F.L.	4,00,000		Loss included in losses on shares.
10. Dadhabhoy Byramjee & Co. - -	17 Oct. 1863	C.C.	1,00,000	} 1,47,862	
Do. - - - -	6 June 1864	C.C.	1,00,000		
11. Davidass Luckmidass, and partner -	24 Feb. 1865	Disct.	75,000	69,595	
12. Dhunjebhoy Framjee - -	20 March 1865	F.L.	2,50,000	1,10,000	
13. Dossabhoy Mirwanjee, & Co. -	24 Feb. 1865	Disct.	1,00,000	52,671	
14. Ghellabhoy Puddumsey - -	7 March 1865	Do.	1,00,000	17,181	
15. Homejee Cursetjee Dady - -	13 March 1865	Do.	1,00,000	58,857	
16. Hormusjee Jamsetjee, Sons, & Co. -	18 Nov. 1864	Do.	1,00,000	32,193	
17. Howard, E. J. - - -	6 Feb. 1865	Do.	50,000	23,032	
18. Frith & Co. - - - -	13 Jan. 1865	Do.	10,000	} 14,250	
Do. - - - -	30 March 1865	Do.	10,000		
19. Hurruckchund Lowchund - -	20 April 1865	Do.	25,000	19,974	
20. Sir Jamsetjee Jeejeebhoy - -	10 Jan. 1865	C.C.	5,00,000	59,376	
21. Javerlall Unaisunkur - - -	April 1865	Disct.	2,25,000	1,45,290	
22. Jeejeebhoy Dhunjebhoy - -	30 Jan. 1865	Do.	50,000	50,000	
23. Jumnadass Khooshaldass - -	16 March 1865	Do.	1,00,000	40,000	
24. Khetsey Sewjee, & Co. - -	23 Feb. 1865	Do.	50,000	49,420	
25. Kummulsey Premjee - - -	4 April 1865	O.L.	3,00,000	2,36,846	
26. Lulloobhoy Manecklall - -	13 April 1865	Disct.	25,000	23,180	
27. MacCulloch, John, & Co. - -	27 Dec. 1864	C.C.	1,00,000	72,861	
28. Maclean, J. M. - - -	21 March 1865	Disct.	25,000	19,004	
29. Manockjee, Pestonjee Tubac - -	12 Jan. 1865	Do.	30,000	16,619	
30. Mirwanjee Nusserwanjee, B. -	21 Jan. 1865	Do.	1,50,000	1,25,000	
31. Muncherjee Framjee Colah - -	20 Oct. 1864	C.C.	50,000	33,100	
32. Navalchund Nahunchund - -	24 Feb. 1865	O.L.	2,00,000	} 3,88,932	
Do. - - - -	13 April 1865	O.L.	4,00,000		
33. Pestonjee Cursetjee Shroff - -	2 July 1864	C.C.	60,000	} 4,85,377	
Do. - - -	18 Oct. 1864	C.C.	40,000		
Do. - - -	19 Dec. 1864	F.L.	97,000		
Do. - -	21 April 1865	F.L.	5,00,000		
34. Pestonjee Nowrojee Khras - -	18 April 1865	Disct.	25,000	13,655	
	Carried forward	- -	76,42,050	47,67,407	

LIST of ADVANCES made at the HEAD OFFICE on a single Name without Security, RESULTING IN LOSS—*continued.*

Name.	Advance.			Loss anticipated by the Liquidator.	Remarks.
	Date.	Nature.	Amount.		
Brought forward -			76,42,050	47,67,407	
35. Premchund Roychund - -	1 April 1865	Overdt.	1,62,839	2,66,553	
36. Rugonath Witoba - - -	6 April 1865	Disct.	1,00,000	69,156	
37. Sorabjee Jamsetjee Jeejeebhoy -	14 July 1864	C.C.	5,00,000	} 3,85,611	
38. Rustomjee Jamsetjee Jeejeebhoy -	22 July 1864	Disct.	2,21,000		
39. Rustomjee Mirwanjee - -	11 Nov. 1864	Do.	35,000	30,000	
40. Sapoorjee Ardaseer - - -	17 March 1865	Do.	50,000	6,000	
41. Sapoorjee Dhunjebhoy - -	20 April 1864	Do.	1,00,000	70,000	
42. Sassoon, J. H. - - -	16 March 1865	Do.	1,00,000	50,000	
43. Sewjaooddeen Tyabjee & Co. -	4 Jan. 1865	Do.	20,000	} 33,369	
Do. Do. - -	8 March 1865	Do.	40,000		
44. Sewjee Nansey & Co. - -	20 Feb. 1865	Do.	1,00,000	45,447	
45. Sorabjee Jamasjee Lalla - -	16 Jan. 1865	Do.	50,000	7,110	
46. Taylor, R. L. (Colonel) - -	5 Jan. 1865	Do.	11,600	7,000	
47. Trenn, S. - - - -	21 Oct. 1864	Do.	3,000	3,000	
48. Watson, W. - - -	26 Dec. 1864	Overdt.	20,424	14,360	
Total - - -	- - -	- -	91,55,913	57,55,013	

After April 1865.

1. Ardaseer Cursetjee Furdoonjee -	3 May 1865	Disct.	30,000	24,281	
2. Byramjee Hormusjee Cama - -	1 May 1865	F.L.	1,25,000	75,000	
3. Candass Narundass - - -	27 Sept. 1865	Disct.	2,00,000	32,061	
4. Cassambhoy Nattoobhoy, Sons, & Co.	27 May 1865	Do.	1,50,000	93,910	
5. Dhunjebhoy Byramjee - -	7 Aug. 1865	C.C.	55,000	27,500	
6. Dossabhoy Merwanjee and Co. -	23 May 1865	Disct.	2,00,000	} 1,58,014	
Do. Do. - -	17 March 1866	Do.	1,00,000		
7. Jaisingbhai Huttehsingh - - -	6 May 1865	Do.	2,00,000	} 64,892	
Do. Do. - -	24 June 1865	Do.	1,00,000		
8. Hurruckchund Lowchund - -	7 Oct. 1865	C.C.	17,504	- - -	Loss included under previous transactions.
9. Muncherjee Jamsetjee & Sons -	1 June 1865	Disct.	60,000	12,500	
10. Premabhoy Hemabhoy - -	15 May 1865	Do.	3,00,000	} 1,94,608	
Do. Do. - -	24 June 1865	Do.	2,00,000		
11. Roychund Deepchund - -	4 May 1865	C.C.	95,368	} 68,040	
Do. Do. - - -	28 Aug. 1865	C.C.	1,00,000		
12. J. H. Ryland - - -	6 May 1865	Overd.	29,643	21,802	
13. Rustomjee Jamsetjee Jeejeebhoy & Co.	15 Dec. 1865	C.C.	2,10,000	} 2,59,389	To clear old loans.
14. Sorabjee Jamsetjee Jeejeebhoy -	17 July 1865	C.C.	1,75,000		
Do. Do. -	22 July 1865	Disct.	1,00,000		
15. Veerchund Deepchund - -	1 May 1865	Do.	1,00,000	20,706	
Total - -	- - -	- -	25,47,515	10,52,703	

ABSTRACT.

Losses at Head Office before May 1865 - -	Rs. 57,55,013
Do. after April - - - -	10,52,703
Total - -	68,07,716
Do. at branches - - - -	12,03,016
Total - -	80,10,732

BANK OF BOMBAY.—HEAD OFFICE.

List of Transactions in which Shares were taken as Security.

Part I.

Advances on Shares not ending in Loss.

	Name.	Advances. Date.	Nature.	Amount.	Shares. Date of Deposit of Certificates.	Par Value.	Sums realized by Sales.	Calls paid.	Losses on the Transaction anticipated by the Liquidator.
				Rs.		Rs.	Rs.	Rs.	Rs.
1		13th April 1865	Disct.	25,000	20th April 1865.				
2		20th „	—	25,000	20th „				
3		22d „	—	78,000	29th „				
4		26th „	—	20,000	27th „				
5		27th May	—	3,50,000	31st May.				
6		30th „	—	50,000	31st „				
7		1st June	—	10,000	12th June.				
8		10th „	—	22,000	13th „				
9		16th Augt.	—	70,000	16th Augt.				
10		28th „	—	50,000	30th „				
11		13th Septr.	—	5,000	13th Septr.				
A 12		4th Octr.	F. L.	50,000	10th July.				
13		20th Decr.	Disct.	5,000	26th Decr.				
14		9th Jany. 1866	—	5,000	15th Jany. 1866.				
15		31st „	—	10,000	2d Feby.				
16		16th Feby.	C. C.	27,792	16th „				
17		28th „	Disct.	2,00,000	2d „				
18		7th „	—	75,000	9th March.				
19		29th Jany. 1867	C. C.	10,000	17th Jany. 1867.				
				10,87,792					

Part II.

Advances on Shares ending in Loss.

Head Office.

	Name.	Advances. Date.	Nature.	Amount.	Shares. Date of Deposit of Certificates.	Par Value.	Sums realized by Sales.	Calls paid.	Losses on the Transaction anticipated by the Liquidator
C	Kursondass Madhowdass, &c.	26th Septr. 1864	O. L.	21,00,000	5th Novr. 1864.	4,00,000	1,49,400	16,000	14,55,709
	Dossabhoy Hormusjee	27th Octr.	F. L.	50,000	27th Octr.	10,000	3,600	—	10,500
	George Taylor	28th Decr.	F. L.	2,00,000	28th Decr.	28,000	4,790	—	91,358
	Muncherjee Hormusjee	22d March 1865	Disct.	30,000	21st March 1865	5,000	1,800	—	20,000
	Atmaram Madhojee	31st „	—	80,000	8th April	1,00,000	8,200	20,092	73,690
	Nana Lall Vishajee	18th April	—	25,000	21st „	7,125	1,800	200	23,700
	Bhugwandass Mithachund	18th „	—	25,000	26th „	5,000	1,800	200	25,000
	Dadabhoy Byramjee and Co.	18th „	—	1,00,000	25th „	1,83,000	1,20,745	—	73,931
	Hormusjee Merwanjee	18th „	—	25,000	20th „	5,000	1,800	200	24,136
	Munsookhbhai Kulliandass	18th „	—	60,000	1st May	27,125	Not sold.	—	30,000
	A. G. Fraser	19th „	—	4,000	25th April	4,400	1,340	400	2,377
	Cursetjee Sorabjee Wadia	19th „	—	50,000	20th „	19,000	2,070	—	8,149
	Ameerchund Beechurdass	22d „	—	2,00,000	24th „	1,39,250	Not sold.	1,004	1,97,831
	Jumnadass Doolubdass (ending)	25th „	—	2,72,000	22d „	1,00,000	Do.	69,625	2,65,837
	Myabhoy Premabhoy	26th „	—	4,50,000	26th „	1,00,000	40,836	90,625	2,80,000
	J. M. Maclean	27th „	—	52,800	30th „	37,500	—	18,750	40,200
B	Dossabhoy Dhunjeebhoy Soorty	27th May	—	30,000	1st June	—	—	—	13,367
	Do. do.	22d Augt.	—	70,000		1,85,250	56,435	17,425	31,185
	Bombay Joint Stock Corporation	29th May	—	3,00,000	31st May	1,50,000	50,390	29,000	1,50,881
	Maneckjee Limjee and Co.	5th June	O. L.	4,00,000	12th June	7,03,000	1,69,920	—	2,11,743
C	S. & N. Nanabhoy & Gowasjee, R. P.	15th Augt.	Disct.	82,000	16th Augt.	1,08,000	42,060	7,200	38,873
	Pestonjee Nowrojee Khras	25th „	—	50,000	26th „	80,500	19,906	5,100	27,311
	De Quadras	1st Septr.	—	50,000	5th Septr.	43,500	13,400	1,400	21,793
	Eduljee C. Mody & Kaikusrao E. Mody	6th „	—	25,000	6th „	23,050	5,276	400	21,904
	Homejee Cursetjee Dady	19th „	—	75,000	18th „	47,000	16,965	2,600	44,143
A	Sorabjee Pestonjee Framjee	4th Octr.	C. C.	2,50,000	13th June	2,24,000	1,19,035	10,600	53,256
	Major Reynolds	14th „	—	3,000	14th Octr.	6,000	1,072	—	1,500
A	Byramjee Nusserwanjee Dantra	14th Decr.	O. L.	16,000	13th June	2,398	—	—	6,000
	P. E. Bendir	16th „	Disct.	10,000	11th Decr.	10,000	2,135	200	2,960
	Hormusjee Dhunjeebhoy Gheesta	21st March 1866	—	30,000	March 1866	28,833	5,977	5,000	3,010
	Hormusjee Cursetjee	28th „	C. C.	35,600	28th „	1,32,000	20,230	—	9,504
	W. H. Crawford	4th May	Disct.	1,00,000	10th May	81,900	43,505	1,200	23,000
	Asiatic Banking Corporation	13th July	Overdft	20,00,000	14th July	4,29,100	1,36,130	—	4,50,000
				72,50,400		34,24,931	10,40,617	2,97,221	37,32,848
	Advances at the Branches on Shares ending in Loss								4,29,159
							Total		41,62,007

PART III.

Shares deposited as Security subsequent to Advances and averting Loss.

	Name.	Advances. Date.	Nature.	Amount.	Shares. Date of Deposit of Certificates.	Par Value.	Sums realized by Sales.	Calls paid.	Losses on the Transaction anticipated by the Liquidator.
				Rs.		Rs.	Rs.	Rs.	Rs.
1	- - - - -	7th Decr. 1864	F.L.	3,200	30th Augt. 1865.				
2	- - - -	4th Jany. 1865	C.C.	5,00,000	1st June 1865.				
3	- - - - -	19th „	C.C.	1,00,000	26th Decr.				
4	- - - -	20th „	Disct.	10,000	31st July.				
5	- - - - -	6th Feby.	—	50,000	31st May.				
6	- - - -	6th „	C.C.	120,000	6th June.				
7	- - - - -	8th „	Disct.	50,000	17th Augt. 1866.				
8	- - - -	10th „	—	15,000	20th July 1865.				
9	- - - - -	17th „	—	10,000	21st June.				
10	- - - -	22d „	—	10,000	29th Septr.				
11	- - - - -	20th April	—	75,000	30th May.				
12	- - - - -	20th „	—	50,000	6th Decr.				
13	- - - - -	27th „	—	24,000	13th June.				
14	- - - -	28th „	C.C.	63,033					
15	- - - - -	28th June	C.C.	4,15,000	12th June 1866.				
16	- - - -	22d July	Disct.	1,00,000	29th Augt. 1865.				
17	- - - - -	1st May 1866	—	1,00,000	20th July 1866.				
18	- - - - -	10th Septr. 1866	—	2,000	12th Decr. 1866.				
				16,97,233					

PART IV.

Shares deposited as Security subsequent to Advances but not averting Loss.

	Name.	Advances. Date.	Nature.	Amount.	Shares. Date of Deposit of Certificates.	Par Value.	Sums realized by Sales.	Calls paid.	Losses on the Transaction anticipated by the Liquidator.
	Rustomjee Jamsetjee Jeejeebhoy	14 July 1864	C.C.	7,10,000	29th May 1866	4,34,450	2,00,800	—	3,79,728
	Byramjee Hormusjee Cama -	14 Oct.	F.L.	7,00,000	5th May 1865	1,25,000	45,000	5,000	3,79,400
	Eastern Financial Association -	18 „	Disct.	10,00,000	13th June	4,14,000	63,655	28,000	6,98,888
	Muncherjee Framjee Colah -	20 „	C.C.	50,000	22d July	11,000	1,925	—	33,100
	Alliance Financial Association	21 „	Disct.	11,06,000	13th Septr.	9,67,775	98,530	1,17,000	3,87,375
	Hormusjee Jamsetjee Sons & Co.	18 Novr. /64	Disct.	1,00,000	28 March 1866	10,000	—	—	32,193
	Ardaseer Cursetjee Dady -	8 Decr.	—	1,50,000	12 June 1865	66,750	2,605	—	24,281
	Dadabhoy Rustomjee Patell -	21 „	—	25,000	7 July	24,000	11,559	200	5,758
	W. Watson - - -	26 „	Overdt.	20,424	7 „	10,000	3,080	1,000	14,360
	Cowasjee Muncherjee - -	26 „	Disct.	50,000	24 Novr.	33,333	23,442	—	9,959
	Cursetjee Furdonjee - -	28 „	F.L.	6,25,000	5 April	65,000	27,375	2,000	5,66,024
	Coll. R. L. Taylor - -	5 Jany. /65	Disct.	11,600	26 June	—	—	—	7,000
	Sir Jamsetjee Jeejeebhoy -	10 „	C.C.	5,00,000	29 May 1866	1,35,000	62,550	—	59,376
	Jaitha Jairaj - - -	16 „	Disct.	50,000	18 July 1865	15,000	200	—	19,800
c	Hormusjee Pestonjee - -	2 Feby.	—	60,000	7 „	6,250	Nil.	—	20,250
	Nowrojee Ardaseer Davur -	4 „	—	1,75,000	13 June	18,000	6,433	1,200	52,698
	Bhugwandass Purshotumdass -	13 Feby.	—	50,000	20 July	5,250	3,000	—	8,000
	Dady Nusserwanjee Dady -	20 „	—	1,00,000	Not known	16,000	3,200	—	33,400
	F. L. Brown and Best - -	25 „	F.L.	2,50,000	1 June 1865	46,000	5,750	—	2,38,526
	Kattywar Trading Company -	6 March	Disct.	1,00,000	2 Novr.	30,000	8,000	—	25,513
	Ghellabhoy Puddumsey - -	7 „	—	1,00,000	8 July	27,500	11,500	5,000	17,181
c	C. and J. Hormusjee Chinoy -	22 „	—	50,000	22 June 1866	10,000	Not sold	—	9,489
	Premchund Roychund - -	1st April	Overdt. up to	5,00,000	31 May 1865	8,68,750	1,74,443	12,400	2,66,553
	Kummulsey Premjee - -	4 „	O.L.	3,00,000	8 July	7,600	3,340	—	2,36,846
	Rugonath Wittoba - -	6 „	Disct.	1,00,000	22 March 1866	5,000	1,000	—	69,156
	Javerilall Uniashunker - -	12 „	—	2,25,000	30 May	1,10,000	3,600	33,600	1,45,290
	Navulchund Nahunchund -	13 „	O.L.	6,00,000	1 June	2,40,000	1,03,05)	40,000	3,88,932
	Pestonjee Cursetjee Shroff -	21 „	F.L.	5,00,000	29 May	6,82,000	79,240	1,68,500	3,48,200
	Khuttow Khemjee - -	26 „	Disct.	40,000	30 „	2,06,000	Nil.	12,500	35,417
	Bomanjee Cursetjee Cama -	27 „	—	2,00,000	30 „	2,64,800	21,983	79,000	1,45,675
	Veerchund Deepchund - -	1 May	—	1,00,000	30 Augt. 1866	57,000	Nil.	—	22,549
	Ardaseer Cursetjee Furdonjee -	3 „	—	30,000	13 June 1865	17,000	6,600	2,200	24,281
	Roychund Deepchund - -	4 „	C.C.	1,95,368	Unknown	1,60,000	57,600	6,400	57,984
	J. H. Ryland - - -	6 „	Overdt.	29,643	18 Septr.	19,700	1,800	—	21,802
	Jaisinghbhai Huttehsingh -	6 „	Disct.	3,00,000	17 July	2,02,500	49,646	16,250	64,892
	Premabhoy Hemabhoy - -	15 „	—	5,00,000	17 „	7,78,400	91,834	64,000	1,94,607
	Hurrukshund Lowchund -	15 „	—	50,000	17 „	83,200	26,152	17,504	39,948
	Candass Narandass - -	27 Septr.	—	2,00,000	22 May 1866	1,55,500	33,600	2,000	33,361
				98,53,035		63,27,758	12,32,492	6,13,754	51,17,792

A Shares previously deposited for custody, now retained as security.

B A subsequent advance was made of Rs. 70,000 more, with further shares, the whole being then treated as one transaction.

c These advances were made before the shares which were given as security had been purchased.

COPIES OF AND EXTRACTS FROM EXHIBITS

Produced in Evidence before the Commissioners acting in execution of Act XVII. of 1868 of the Legislative Council of India.

The Exhibits marked A 1 to A 27 are books of the Bank, and other documents which were produced by the Liquidator: vide Minutes of Evidence, vol. 1, p. 1–3. Of these Exhibits A 25 [1] and A 25 [a] will be found in this Appendix, and Extracts from Exhibits A 8 and A 27.

Extracts from Daily Book, marked **A 8.**

MONDAY, 17TH OCT. 1864.

Dr.				*Cr.*			
Government deposits	1,32,188	14	1	Government deposits	4,89,142	0	11
Current do.	34,89,305	6	8	Current do.	26,37,294	0	1
Cash credits	3,15,244	15	2	Cash credits	2,87,313	12	0
Bombay bills	1,815	12	7	Bombay bills	71,500	0	0
Bills for collection	3,00,000	0	0	Bills for collection	1,19,303	14	0
Inland bills	1,51,198	4	11	Inland bills	1,51,278	4	11
B. R. post bills	585	2	0	Fixed loans	57,760	0	0
Fixed loans	2,810	0	0	Do. deposits	2,180,	0	0
Do. deposits	—			New capital a/c.	91,875	2	11
Bank premises	3,000	0	0	Coutts & Co.	246	11	6
Interest	7	0	0	Hoondies	5,000	0	0
Charges	247	13	6	Interest	856	8	4
Dividends	1,600	0	0	Exchange	7,806	8	2
Bank of Bengal	1,50,000	0	0	Charges	—		
Do. Madras	319	8	11	Commission	314	12	0
Ahmedabad	8,520	0	0	Discount	3	10	0
Dharwar	20,097	10	11	Suspense	5	5	0
Hyderabad	31,752	12	2	Stamps	27	8	0
Indore	27	8	0	Bank of Bengal	3,80,542	12	6
Kurrachee	534	12	0	Do. Madras	5,029	12	0
Kalbadevi	4,18,000	0	0	Ahmedabad	37,697	14	0
Oomrawuttee	43,000	0	0	Dharwar	20,000	0	0
Poona	55,479	7	8	Hydrabad	1,27,500	0	0
Sholapore	340	0	0	Indore	34,250	0	0
Surat	78,390	3	6	Kurrachee	21,484	0	0
Bank notes received	10	0	0	Kalbadevi	60,000	0	0
	52,04,475	4	1	Oomrawuttee	24,100	0	0
				Poona	70,331	5	9
Bank cash 182,05,951 2 10				Sholapore	40,030	0	0
Cash this date	182.05,951	2	10	Surat	23,695	0	0
Currency notes	31,63,580	0	0				
					47,66,568	14	1
	265,74,006	6	11	B'k cash 178,56,317 8 10			
				Cash last date	178,56,317	8	10
				Currency notes	39,51,120	0	0
Liabilities:—							
Government deposits	30,65,043	0	0		265,74,006	6	11
1st class	348,78,727	0	0				
2nd ,,	8,84,438	0	0				
Sundry	25,57,053	0	0	Notes in circulation	256,36,420	0	0
Circulation	2,11,070	0	0	Do. on hand	31,63,580	0	0
	Rs. 415,96,331	0	0		Rs. 288,00,000	0	0

TUESDAY, 18TH OCTOBER 1864.

Government deposits	12,88,623	15	2
Current do.	29,91,028	5	5
Cash credits	1,09,859	11	9
Bombay bills	10,11,028	9	2
Inland bills	3,62,098	0	0
Bank post bills	105	0	0
Fixed deposits	2,886	1	4
Do. loans	9,200	0	9
Interest	21	10	1
Charges	167	3	0
Bank notes received	35	0	0
Do. of Bengal	3,50,000	0	0
Ahmedabad	20,059	9	0
Dharwar	5,218	10	1
Hyderabad	19,856	10	0
Kurrachee	5,500	0	0
Kalbadevi	74,500	0	0
Oomrawuttee	165	0	0
Poona	3,025	11	0
Surat	50,089	4	7
	63,03,468	4	7
Government reserve			
Bank cash 183,94,618 8/			
Cash this date	183,94,618	8	0
Currency notes	38,19,360	0	0
	Rs. 285,17,446	12	7
Liabilities:—			
Government deposits	28,06,414	0	0
1st class	367,36,617	0	0
2nd ,,	7,24,657	0	0
Sundry	26,84,673	0	0
Circulation	2,11,035	0	0
	Rs. 431,63,396	0	0
Received from Mint	293,00,000	0	0

Government deposits	10,29,994	15	4
Current do.	47,96,557	5	11
Cash credits	3,69,758	8	1
Bombay bills	90,000	0	0
Bills for collection	80,000	0	0
Inland bills	3,62,088	0	0
Bank post bills	220	0	0
Fixed deposits	10,000	0	0
Do. loans	8,200	0	0
New capital a/c.	66,300	0	0
Hoondies	7,000	0	0
Interest	87	13	3
Exchange	5,976	0	0
Charges		1	0
Commission	171	0	0
Discount	23,840	4	1
Stamp	29	13	0
Bank of Bengal	2,34,300	0	0
Ahmedabad	29,280	0	0
Dharwar	39	0	0
Kurrachee	25	0	0
Kalbadevi	20,537	8	0
Poona	585	0	0
Sholapore	649	10	0
Surat	12,275	11	1
	71,47,915	9	9
Government reserve			
Bank cash 182,05,951 2 10			
Cash last date	182,05,951	2	10
Currency notes	31,63,580	0	0
	Rs. 285,17,446	12	7
Notes in circulation	254,80,640	0	0
Do. on hand	38,19,360	0	0
	Rs. 293,00,000	0	0

Copy of Exhibit **A 25**[1].

Extracts from Capital Account in General Ledger.

1864.			
January 4.	By Amount of Capital at this date		52,25,000
May 14.	,, Amount of New Capital at this date		52,25,000
			1,04,50,000
1865.			
January 27.	,, Amount of New Capital		1,04,50,000
		Rupees	2,09,00,000

Shares not taken up in the second issue of capital:—

Thomas Brooke and J. Sinclair	20	shares
Burjorjee Rustomjee Mestry	1	,,
Framjee Cowasjee Banajee	1	,,
M. S. Levick	1	,,
Rustomjee Nowrojee Motabhoy	4	,,
Mrs. Rebecca Sinclair	20	,,
	47	

These shares were all sold by the Bank.

True extract,
J. STUART.

Copy of Exhibit marked **A 25a.**

BANK OF BOMBAY.

Assets.																Liabilities.					
Date.	Bills Discounted.			Loans on Deposit.			Accounts of Credit.			Total Advances for Bills discounted, Loans on Deposit, and Account of Credit.	Cash Balances.	Investment of Government Securities.				Balances with Agents and Correspondents.	Remaining Miscellaneous Assets, including Dead Stock.	Total Assets of the Bank.	Bank Post Bills Outstanding.	Aggregate Balance of Accounts Current and Deposits of whatever nature.	Total Liabilities.
	Private.	Government.	Total.	Of Government Securities.	Of other Description of Securities.	Total.	On Deposit of Government Securities.	On Deposit of other Description of Securities.	Total.			Company's Paper 4 per cent.	Company's Paper 5 per cent.	Company's Paper 5½ per cent.	Total.						

BANK RATES OF BUSINESS.

Discount Charged.		Interest Charged.			
On Government Bills.	On Private Bills.	On Loans on Deposit of Government Securities.	On Loans on Deposit of Goods and Metals.	On Accounts of Credit on Deposit of Government Securities.	On Accounts of Credit on Deposit of Goods and Metals.

Bank of Bombay,
Bombay. 186

Secy. & Treasurer.

Accountant.

} Directors.

Exhibit marked **A 27.**

Extracts from Opinion Book.

1863.
June 25. Atmaram Madhowjee, cotton merchant, Rumchunder Luxomanjee, proprietor of the Clare and Carnac Bunders.
Cowasjee considers them good for Rs. 20,000.
Atmaram considered speculative, but considered to have made some money by Premchund.

1864.
April 2. George Taylor, Esq. Premchund considers very safe for a lac.

1864.
Sept. 21. Sorabjee Byramjee Colah, sharebroker. Khursundass Boodhurjee (bill for Rs. 50,000).
Premchund says quite good. The first is Cowasjee Jehangeer's broker, and worth money.

1865.
Jan. 5. Premchund says quite good for a lac.

1864.
Oct. 18. Eastern Financial Association. Premchund says we may safely advance 10 lacs.

1864.
Dec. 5. A. Cursetjee Dady. Premchund says good for a lac and a half. Hormusjee says good for two lacs.

The Exhibits A 28 to A 30 are books referred to in the evidence of J. M. de Ga; vide Minutes of Evidence, vol. 1. p. 4.

Extract from Exhibit marked **A 31.**

Memorandum.

Asiatic Bank's account is already overdrawn by Rupees 18,09,761 3 1; shall I pay this cheque for Rs. 51,498 11?

(Signed) J. M. De Ga,
Pro-Accountant.

Bank of Bombay, 8/8/1866.
Pay.
(Signed) D. R.

Extract from Exhibit marked **A 32.**

Memorandum.

Roychund has not paid off his cash credit a/c. Dr. Balance Rupees 51,953 5 9, and Cashinath wants me to give up his Government notes as stands for security.

(Signed) J. M. De Ga,
Accountant.

Roychund is to pay off his loan; give up the notes.
(Signed) D. R.

The Exhibit marked **A 33** is the book containing cash credits granted on personal security, which was produced by J. M. de Ga; vide Minutes of Evidence, vol. 1. p. 4.

Copy of Exhibit marked **A 34.**

The Directors, Bank of Bombay.

Gentlemen, Bombay, 15th March 1868.

Having been asked by you before leaving to define what I consider should be the power of the secretary and treasurer, I thought it best in the first place to ask Mr. Robertson, the officiating secretary and treasurer, to address me familiarly, stating what he at present considered he had power to do. His letter is herewith, and I shall make remarks on each paragraph.

Before doing so, I would state that in my opinion no Bank can be successfully worked in times of difficulty unless the manager has the confidence of the directors. I consider that a direction should act chiefly as an indicating and controlling power over an efficient manager, and, if the manager has the confidence of the Board, in my opinion it is for the interest of the institution that he should be as little under control as possible, taking it for granted that the directors make themselves conversant with the current transactions of the Bank. It is important that the secretary should always have ready access to the Government members on matters relating to the Currency and Treasury Departments, and to the commercial members, so that he may in case of emergency at once consult with the president or other member on mercantile points.

I have had during the past year an excellent opportunity of judging of Mr. Robertson's capabilities; he has had to manage the Bank in a time of difficulty such as it has never before experienced, and I have no hesitation in saying that he has proved himself worthy of the confidence of the directors. He has devoted his best energies to the working of the Bank, has proved himself to be a man of ability, fertile in resource, and, what I consider an indispensable qualification, conciliatory in manner to constituents, and this often under circumstances very trying to the temper.

I will now proceed to make observations on what Mr. Robertson considers to be his power.

1. For the proper working of any institution, it is important that the head should have the control over the whole, subject to such restrictions as the directors may from time to time think fit to make. The appointment of European assistants over rs. 300 per mensem and that of head shroff should rest with directors, but the secretary should have power to appoint or remove officers of the Bank to agencies and accountantships as he may think advisable. The appointments of Deputy Secretary, Inspector of Branches, and Chief Accountant must, however, rest with directors.

2. The secretary should have power to discount the class of paper named at his discretion, without reference to the board; as a rule, he should not exceed the amount of three lacs on any firm without the sanction of the president or two members of the board. With bank bills, however, the interest of the shareholders demands that he should at discretion often far exceed this sum.

3. Here the secretary should be accorded a wide discretion. Banks are our best constituents, and it is often important that they should have temporary aid for a few days to a considerable extent. With well known institutions, I would recommend that five lacs should not be exceeded without the sanction of the president or two members, unless approved bills are deposited as security; and with well-known firms three lacs should be the maximum without security, unless with the sanction of two members not interested in the loan. A Bank like this must be prepared to grant loans in imaginary confidence; many excellent constituents would have no objections to have their temporary loans scrutinized by two members, although they would object to have their proposals submitted at the time to a full board. The books of the bank are of course at all times open for the inspection of any director.

4. In present exceptional times, until a new and careful list can be prepared, I think the secretary should grant no new loan of the nature contemplated over a lac without the sanction of the president or two members. Any loans under this amount he would of course only grant to well-known constituents.

5. Renewals should, as at present, be left to the discretion of the secretary; a renewal in full should only be agreed to under exceptional circumstances, and when the secretary is either satisfied that the principal is undoubted, or where, when in doubt, he has got the sanction of the president or two members.

6. These operations should be left entirely to the discretion of the secretary, in consultation with the inspector of branches.

7. This should also be left to the discretion of the secretary; it being understood that he is so to arrange as to be able to sell and provide himself with funds, say, to extent of half the total amount employed.

8. Operations over seven lacs should have the sanction of the weekly committee.

9. I would leave this for the present as it stands, with exception of the last paragraph, so as to give the secretary a proper status when meeting managers of other Banks. He will of course report to the board any agreements entered into during the week, and any trust deeds proposed to be signed. Of these last, however, none should be signed without your sanction.

In addition to what has been defined, I consider that the secretary should have power to open new accounts, and, at his discretion, to arrange to give 2% interest in balances not exceeding one lac, where he considers that such an arrangement would be conducive to the interests of the Bank.

Reference has frequently been made to the desirability of appointing a daily committee to look after the working of the Bank. I do not think that in Bombay such a committee would ever work satisfactorily. It is more than probable that the members would very rarely all find it convenient to meet at the same hour, and without regularity no advantages would be gained. I

think, however, it is of importance that the president should, so far as possible, pay a regular daily visit to the Bank, if he be a commercial man. This would afford the secretary much assistance, as it almost daily happens that there are points which he would like to talk over. In some measure to compensate the president for his extra labour and loss of time, I would propose that my successor should receive double fees.

I am, Gentlemen,
Yours very faithfully,
R. HANNAY,
President.

Copy of Exhibit marked **A 35.**

Bank of Bombay,
My dear Hannay, Bombay, 7th March 1866.

I consider that according to the practice in the Bank for some years past, I, as officiating secretary, am empowered to act as follows:

1. To have the entire control of the establishment, head office, and branches (of course under the directors).
2. To discount bank bills and bills on good houses of a currency not exceeding 60 days. There is no limit, but I have hitherto seldem taken over three lacs of the paper of one house.
3. To grant temporary advances to banks, houses, and other constituents of the Bank.
4. To discount bills, and to grant loans and credits on personal security to well known men.
   N.B. Since I have been acting, the times have been so exceptional, that I granted very few advances without consulting at least one director.
5. The renewal of bills, loans, and credits, I consider is left to my own discretion, of course bearing in mind the order of the board, not to renew for the full amount if possible, but to get 25% in cash.
   Some bills, &c. for special reasons have been renewed in full.
6. To purchase hoondies for the purpose of providing branches with funds.
7. To purchase and sell bills on Calcutta and Madras.
8. To purchase and sell gold and silver bullion.
9. Power given in July last to attend meetings of creditors of parties indebted to the Bank; to agree to propositions made at such meetings; to sign trust deeds, &c. at my discretion.

I think these headings include everything.

I may say that I consider the order of the President in every case sufficient authority for me to act under, should he not request me to refer any matter to some of the other members of the board.

Yours sincerely,
D. ROBERTSON.

Copy of Exhibit marked **A 36.**

To the Secretary,
Bank of Bombay. Eastern Financial Association,
Dear sir, Bombay, 17 October 1864.

The directors of the Eastern Financial Association have requested me to ask you, if they signed the promissory note for Rs. 10,00,000, and made it payable on demand, whether it would be agreeable to you, the understanding being that it is not called for until three months hence. The stamp on such a note would be one anna. If, however, you would prefer to have it expressly made payable three months after date, please let me have a blank form, and I will have it stamped with the proper stamp. It will greatly oblige if the transaction could be completed to-day.

Yours very truly,
J. CUNINGHAM,
Offig. Manager.

Copy of Exhibit marked **A 37.**

My dear Premchund, 4th January 1865.

Cursetjee Furdoonjee got the 6 lacs you spoke about before the holidays. Kindly tell me what the rate was that you fixed. The shares will also be required to be deposited for safety.

Truly yours,
JAMES BLAIR.

Endorsement, Exhibit marked **A 103.**

My dear Mr. Blair, 1st July 1865.

@ 15%. You shall have the shares to-day. I herewith send you 25 shares on account of Byramjee Cama, and 10 on account of Dr. Diver. I will send you the other 10 in half an hour.

Yours sincerely,
PREMCHUND.

Copy of Exhibit marked **A 38.**

My dear Mr. Robertson,

Can you accommodate me with a short loan for Rs. 2,10,000 payable *positively* on the 29th instant, and at what rate of interest?

Yours sincerely,
RUSTOMJEE JAMSETJEE JEJEEBHOY.
12th Dec. 1865.

Copy of Exhibit marked **A 39.**

Bank of Bombay,
My dear Hannay, Bombay, 12th Dec. 1865.

What say you to the enclosed?

We have his name for a large sum already, but for the most part as security for Sorabjee. He has P/ Note running for Rs. 2,21,000 on his own name only.

Yours sincerely,
D. ROBERTSON.

The present is only for 17 days.—D. R.

Endorsement.—Payable *positively* on 29th without let or hindrance, let him have it.—R. H.

Copy of Exhibit marked **A 40.**

My dear Mr. Blair, 12th July 1864.

Sorabjee Jamsetjee Jejeebhoy, Esq., son of the late Sir Jamsetjee Jejeebhoy, wishes to have a loan for five lacs for three months on his personal security. Will you give him? He is safe for anything.

Yours sincerely,
PREMCHUND R.

Copy of Exhibit marked **A 41.**

20th May 1865.

The following applications for discount are herewith circulated:—

1. From S. P. Framjee and A. M. Gubbay for 4 lacs for 3 months. Collateral security of Elphinstone Land, Press Co., and United Victoria shares offered. They have nothing under discount.
2. From Nowrojee Ardasser Davur for Rs. 50,000 for 2 months, with A. H. Huschke & Co.
   Present obligations to the bank noted on the letter.
3. From Huthising Kesrowsing for Rs. 50,000 for 2 months on personal security.
   Present obligations noted on letter.
4. From the Bombay Joint Stock Corporation for a loan of rupees 5 lacs.
   This Company has no loan from the bank at present.

D. R.

R. Hannay, Esq.
J. L. Lushington, Esq.
F. S. Chapman, Esq.
R. L. Tracey, Esq.
Alex. Brown, Esq.
Premchund Roychund, Esq.

Endorsement.—1. If they have nothing under discount, I would grant a loan for say 2½ lacs for two months with security.

2. I do not know the standing of the parties sufficiently well to give an opinion.

3. I would grant loan with security, the bank retaining money in part payment of Hoondies.

4. If 5 lacs would enable the Corpn. to pay the 50,00,000 due on Tuesday, considering the great benefit accruing to the public, I would grant the loan with security.—R. H.

Endorsement.—2. I think the parties are very respectable, and that 50,000 might be granted.

I agree with the other recommendations of Mr. Hannay.—R. L. T.

Endorsement.—I would grant Nos. 1 and 4 as recommended by our president, and decline Nos. 2 and 3.

J. L. L. 20/5.

Endorsement.—I think all of these applications may be granted.

No. 2 I should think quite safe, and No. 3 will not increase the amount of advance to the applicant, whose name ought certainly to be good for a lac.

It must also be borne in mind that if we accept the compromise we lose all recourse against the directors individually. I personally think the bank, in the interests of its shareholders, is bound to push this matter, however hard, on the Alliance Financial Contributories.

A. Stewart.
G. Norman.

I think Mr. C. should be allowed an interview at Tuesday's board meeting.

G. M. Stewart.

I agree with Mr. Stewart, and see no reason for reconsidering the decision already arrived at after much consideration of all the circumstances of the case.

J. L. L.

I am surprised that Mr. Crawford should reopen a question that has been settled after full and careful deliberation. I am opposed to a compromise.

C. E. Chapman.

The decision of the Board in this case appears to have been given after mature deliberation, and I do not think it would benefit our shareholders by reconsidering the matter.

Henry Forman.

I see no reason why we should not hear what Mr. C. has to say on behalf of the directors against whom the bank has obtained judgment. If they come forward with any proposal which would give the bank a fair proportion of its claim, I am of opinion that, in the interest of all, we had better accept the conjoint compromise. I suggest our giving Mr. C. a hearing on Tuesday.

A. B.

I agree with Mr. Brown.—M. H. Scott.

I likewise agree with the foregoing minute, as the bank can lose nothing by hearing Mr. Crawford's statement.

Walter R. Cassels.

Copy of Exhibit marked **A 50.**

My dear Blair,

The Alliance Financial Association has got two loans for 10 lacs; one for three months for five lacs, and one for one month for five lacs. Now they propose to pay off five lacs which they got for one month, and take instead for same amount for three months. Will you do it?

Yours sincerely,
26th Nov. /64. Premchund, R.

Endorsement.

Directors of Alliance Financial Association.

Five lacs, on *demand*, was to be paid off on *8th Decr.* (*one month*).

Five lacs. *Bill* due 24 *Jany.*

Taylor, Diver, and Atmaram Madhowjee have an *open loan* for 5½ *lacs*, granted 11 *Oct.*

Taylor and Diver have two lacs on bills.

I presume they have only to allow it to run on for three in place of one month, being a loan payable on demand.

J. B.

Copy of Exhibit marked **A 51.**

Bombay, 28 Dec. 1864.

Be it remembered that on this 28 day of December One thousand eight hundred and sixty 4 I have deposited

P.S.

with the Bank of Bombay ~~Govt.-Promissory-Notes~~ to the amount of Company's Rupees six lacs and twenty five thousand only as security for the repayment on 1st July 1865

~~3-months-after-date~~ of the sum of Company's Rupees six lacs and twenty-five thousand only this day advanced by them to me with interest thereon at the rate of Company's Rupees ~~Twelve~~ Fifteen per centum per annum. And I agree that in case default shall be made in payment at the expiration of the said period interest shall thenceforward be charged at and after the rate of Company's Rupees twelve per centum per annum, and further that in case such default shall be made it shall be lawful for the Treasurer of the said Bank for the time being absolutely to sell or dispose of by public or private sale the

Personal S.

said ~~Government-Promissory-Notes~~ or any of them for the reimbursement to the said Bank as well of the said principal and interest as of all cost and charges to be incurred in consequence of such default, the said Treasurer rendering to me any surplus which may be forthcoming from such sale, and I being bound to make good to the said Bank whatever deficiency there may be below the amount of the said principal sum and interest, as well as of all costs and charges relative thereto.

(Sd.) Cursetjee Furdoonjee.

(Sd.) Rustomjee J. Furdoonjee.

Copy of Exhibit marked **A 52.**

My dear Sir,

Kindly favour me with a loan of three lacks of rupees for three months from this date, and oblige.

Yours faithfully,
Sorabjee Jamsetjee Jejeebhoy.

Endorsement.

Loan of five lacs due 14th January. Premchund says quite good for both amounts.

Copy of Exhibit marked **A 53.**

No. 1064. Bombay, 6th June 1865.

Due 9th July /65.

One month after date we jointly and severally promise to pay to the Bank of Bombay or order the sum of Company's rupees two lacs and forty one thousand only for value received.

Rs. 2,41,000/

D. Luckmidass.
Atmaram Madhowjee.
J. Doolubdass.

Payable at the Bank of Bombay,
Mombadevi Branch.

For copies of Exhibits **A 54** and **A 55**, vide Minutes of Evidence, Vol. I., p. 72.

Copy of Exhibit marked **A 56.**

No. 11 of 1866-7.

Financial Department.

From the Offg. Accountant-General, Bombay, to the Chief Secretary to Government, Bombay.

Sir, Dated Bombay, 1st May 1866.

I have the honour to bring to the notice of Government that the sixth clause of the Articles of Agreement between Her Majesty's Government of Bombay and the Bank of Bombay, (*vide* page 386 of the Bombay Gazette, dated 28th February 1862,) which provides for a periodical audit and examination by an officer appointed by the Governor in Council of the general account and cash balances of the bank, has not, as far as I can ascertain, been enforced by Government up to this time.

2. I think that as in our other treasuries, so in this, the principal Treasury, there should be an occasional verification of the actual cash balance, both invested and uninvested, and would therefore suggest that Government avail themselves of this clause of their agreement, and depute a qualified officer to make the customary report on the cash balance.

I have the honour, &c.
(Signed) C. E. Chapman,
Offg. Acct.-General.

True copy,
C. E. Chapman.

Copy of Exhibit marked **A 57.**

Bank of Bombay.

No. 470.

Financial Department.

Bombay Castle, 8th May 1866.

Letter from the Officiating Accountant-General, No. 11, dated 1st May 1866, pointing out that the sixth clause of the Articles of Agreement between Her Majesty's Government of Bombay and the Bank of Bombay, which provides for a periodical audit and examination by an officer appointed by the Governor in Council of the general account and cash balance of the bank, has not, as far as he can ascertain, been enforced

by Government up to this time; and suggesting that Government avail themselves of this clause of their agreement, and depute a qualified officer to make the customary report on the cash balance.

Resolution.—Government approve of the Officiating Accountant-General's suggestions.

2. Mr. C. E. Chapman is appointed to the duty.

(Signed) J. KING,
For Chief Secretary to Government.

Copy of Exhibit marked **A 58.**

To Securities?

10	Dhollera.
22	Shares security A. Bank.
4½	Shares in Mercantile Bank.
4	Tapidas.
7½	H. Bank.
7	Dividend on B. H. Cama.
55	
4	K.M.
20	Property.
79	
2¾	H. Jehangeer.
1	Colaba share.
82¾	
4	Royal Bank security.
86¾	
13	lacs up country.
6	H. Bank.
24	A. Bank.
2	Financial.
1	Mercantile Bank.
1	Tapidas.
1	Esmal & E. Framjee.
3	Calcutta } 60d/st.
5	China } 60d/st.
C	Hoondies.
2	more for keeping in hand.
64	
20	Royal Bank.

Copy of Exhibit marked **A 59.**

Lockley Hall. Pd. Bungalow & Livery Stables, Byculla	4½. Can get 4 lacs now.
*2 at Malabar Hill thinks he could get 3 lacs now	2½.
1 Dhackjee Chawl Mombadevi Bazaar. Pd. Rent Rs. 5,000 per month	10.
Land in flats, 2 lacs square yards, 3 lacs.	
⅛th Share Coorla Property. Paid 4 lacs.	
20 lacs Lewels.	
* Mr. Stearns had occupied, now occupied by P.R. Mr. Hunter's House.	

Copy of Exhibit marked **A 60.**

3 lacs. Byramjee Cama & Co.

Quite safe.
PREMCHUND R.

Copy of Exhibit marked **A 61.**

Bank of Bombay,
Bombay, 18 Oct. 1864.

My dear Premchund,

Kindly tell me the names of the directors of the bank referred to in the enclosed application, and whether good for the amount applied for.

Faithfully yours,
JAMES BLAIR.

Endorsement.—Copy of Exhibit marked **A 120.**

My dear Mr. Blair,

Quite safe for 10 lacs. Directors are Merwanjee Framjee Panday, Veerchund Deepchund, Merwanjee Nasserwanjee Patel.

Yours sincerely,
PREMCHUND R.

Copy of Exhibit marked **A 62.**

Merwanjee Framjee Panday's Imperial Trading Company wants a loan for 8 lacs.

J. B.

Copy of Exhibit marked **A 63.**

My dear Blair,

The Imperial Bank wants a loan for five lacs for three months. They are quite safe for anything; they have got six lacs from you, and they going to pay you one lac on the 9th Dec. 64. Will you do it?

Yours sincerely,
6th Dec. /64. PREMCHUND ROYCHUND.

This may be done.—J. B.

Copy of Exhibit marked **A 64.**

Memorandum.

Receipts for 200 fully paid up shares, of the value of Rs. 1,000 each, in the E. I. and P. Company, Limited, will be issued to Navulchund Nauchund, Esq., on the 18th instant.

Bombay 13/4/65. W. NICOL & Co.

Copy of Exhibit marked **A 65.**

My dear Premchund,

Kindly tell me what you think of the enclosed application, and oblige,

Yours sincerely,
8th Dec. JAMES BLAIR.

Endorsement.

My dear Blair,
Quite safe.—Yours sincerely,
PREMCHUND R.

Copy of Exhibit marked **A 66.**

To the Secretary
Bank of Bombay.

Bombay,
24th April 1865.

Dear Sir,

May I request the favour of your advancing me the sum of rupees five lacs for the term of three months on (1350) shares of the Commercial Bank, of which rupees 250 have been paid up per share, and informing me the rate of interest thereon?

I am, dear Sir,
Yours truly,
BOMANJEE CURSETJEE CAMA.

Endorsement.

He is the son of Cursetjee Nusserwanjee, and I think he is the safest. He is not trading in anything.—P.R.

Copy of Exhibit marked **A 67.**

Sorabjee Byramjee Colah and Cursondass Butherjee for Rs. 50,000, for three months. They have already *one lac* from the bank.—D.R.

Endorsement.—Good.—P.R.

Copy of Exhibit marked **A 68.**

My dear Robertson,

At what price will you give three lacs to Candass for one month? Ask all the directors.

Yours sincerely,
6th May /65. PREMCHUND R.

Extract from Exhibit marked **A 69.**

IV.

The agent is not permitted to discount any bill exceeding in amount Rs. without first obtaining the sanction of the Head Office, nor at a currency longer than months, nor be in advance at one and the same time to any individual or partnership-firm, either by discount, loan, or in any other way, saving by loans on the deposit of Government securities or goods not perishable, as herein provided, beyond the amount of Rs. without the express sanction of the directors, nor generally to enter into any transaction out of the regular and usual course of business; nor is he authorized to discount bills which do not belong to his district; and he is particularly enjoined to avoid such paper as naturally belongs to other places where banks exist.

Copy of Exhibit marked **A 70.**

11th May 1865.

The following letters are herewith circulated for instructions:—

1. From Mr. Premchund Roychund, regarding the loan applied for on behalf of the Hon. Premabhoy Hemabhoy.

2. Cursetjee Hormusjee Chinoy for Rs. 50,000, for three months, on personal security.
3. M. and M. Cursetjee Cama and Co. for two lacs for two months, on personal security.
4. From the manager of the Alliance Bank, regarding the loan applied for on behalf of that Bank.
Mr. Kelly, the chairman of the Alliance Bank, called here and supported the statements of Mr. Wesché as to the amount which they may expect to receive within the next two months. D. R.

5. Hurruckshund Nowchund offers, as the second name to the bill for Rs. 50,000, which he asked to be discounted, "Munmohundass Rugoonattijee." D. R.

Endorsement.

1. This is a falling off on the part of Premabhoy, but I would rather increase his liabilities three lacs, and decrease those of the Financial.
2. Cursetjee Hormusjee Chinoy is an old constituent, and has always been considered a good man. I would discount his draft.
3. M. and M. C. Cama & Co. I consider good for the amount.
4. Mr. Kelly, the chairman, seems to have gone carefully over the Alliance Bank books and seems to have no doubt but that the Rs. 450,000 loan will be paid on 30th June. The only other liability is said to be Rs. 200,000 in deposits. It might be well to consider whether we could not grant an open loan for four lacs; the manager paying money into credit as it comes to hand. R. H.

I think the above suggestion regarding the loan to the Alliance might be adopted, and that the other applications should be granted. R. A. T.

I agree with the President as to applications Nos. 1, 2, and 4. As to No. 3, I should not be disposed to grant the full amount. A lac at the outside would be enough to give.

A. B.
I agree with Mr. Brown. P. R.
I also think that application 5 is good also. P. R.

1st. If we grant this loan, it appears to me that the Bank will be in a worse position than at present.
2nd and 3rd. I would grant no loans on personal security only.
4th. I think the Alliance Bank has quite sufficient already. They hope to realize by July Rs. 10 lakhs, but we have no guarantee that we shall get a portion of it.
I think we should take into consideration the amount really available for loans, not forgetting the large amount of our deposits, and that the Government balance is rapidly decreasing. J. L. L.

1. Not quite so. We get the name of the wealthiest man on this side for three lacs, instead of having that sum due by a Financial.
2d, 3d. I agree with our late President, Mr. Birch, that good personal security is far better than any other.
4. I think we are bound to help the Alliance upon obtaining guarantee from chairman that monies will be paid in as received.
I think the present is a time when we should work rather bare when supporting good men; money paid away in discounts for the most part comes back to us.
R. H.
P. R.

1. With regard to this application, I think it most desirable the arrangement be carried out. Premabhoy's security is unquestionable; not so that of the Elphinstone Financial, whose debt of Rs. 500,000 will probably otherwise remain undiminished.
2 and 3. It is true that credit is for the time severely shaken in Bombay, but I cannot agree with Mr. Lushington that on this account all loans on personal security should be refused. Such a policy would surely precipitate a panic, and recoil tenfold on the Bank itself.
4. Respecting the Alliance Bank, it might be well that an extraordinary meeting of directors be held to meet the secretary and chairman of that Bank, who, as it would seem to be a matter of grave importance to them, should lay their affairs fully before the directors. If they can satisfy us that they are solvent, and are in a position to carry out what they promise, then I think the Bank will not only consult its own but the public interest, which is in an important sense committed to it, by supporting it through a period of temporary pressure.
Regarding the last paragraph of Mr. Lushington's remarks, I take it to be as Mr. Hannay says, that most of the money we give away in loans, &c., finds its way back to the Bank's coffers. Some of the banks are said to be hoarding, but this I should think quite exceptional.
Application 5 has been appended since I last saw the paper. I do not know the latter name, and would be inclined to doubt if it be such as the Bank can accept.
A. B.
12-5-1865.

I agree with the President in cases Nos. 1, 2, and 3, and would adopt the course suggested by Mr. Brown in case No. 4.
F. S. C.
13-5-1865.

I would discount No. 5; the man is a very old constituent, has always been a very good constituent.
R. H.
R. A. T.

R. Hannay, Esq.
R. A. Tracey, Esq.
Alexr. Brown, Esq.
J. L. Lushington, Esq.
F. S. Chapman, Esq.
Premchund Roychund, Esq.

Copy of Exhibit marked **A 71.**

As regards No. 1, I don't exactly understand the President's remark that "we get the name of the wealthiest man on this side, instead of having that sum due by a Financial." I understood Mr. Premabhoy's name was attached to the existing loan. As regards Nos. 2 and 3 I have no further remark to make. I hold to my former opinion. No. 4. I have no objection to the course proposed by Mr. Brown; as matters stand at present I cannot assent to grant the loan.
Loans on personal security are strongly advocated by our President, and the late President; but I would ask whether it is not upon such loans that our greatest losses are likely to occur.
J. L. L.
13/5/65.

Copy of Exhibit marked **A 72.**

(Private.)
My dear Lidderdale,
Mr. Khuttow Khemjee is a respectable merchant. He has got a draft on the Bank of Bombay for 150,000 against about 860 Asiatic Bank shares. First of all the loan was for two lacs. These shares were purchased in joint account with him by me, when, the price going down, he told me to keep all the shares on my account, seeing he lost all his money in cotton and shares. I promised to see the loan paid off. I paid the interest and 50,000 in cash three months ago, now the bill is past due, and he has no money, and he is not worth a penny. I offered land which I have got at Ahmedabad as a security to the bank on his promissory note, if the bank will renew or keep the bill standing; but now this man says he can't it settled that way with the bank, and I see no reason why the bank should press such an honest man. He is ready to show his fair statement, and he agrees, as well as I agree together, that as soon as there is a change is taken place the bank's money will be paid in full; but no use of pulling down a man when they know that nothing could be had out of him; so please ask Mr. Robertson to do what is proper and fair.
Yours truly,
2 Aug. /66. Premchund Roychund.

Copy of Exhibit marked **A 73.**

To
The Manager of the
Bank of Bombay.
Sir,
Will you be good enough to grant me a loan for three months' sight, on the shares of the *Asiatic Banking Corporation?*

That I want to know—how much I can get on 125 shares, and what rate of interest.

Yours truly,
KHUTTOW KHEMJEE,
Bazaar Gate.

Bombay,
25th April /65.

Endorsement.

Anything under discount.—D. R.
Bills, Hoondies; No.—D. M.

Premchund says he is safe enough on personal security.

Grant him Rs. 40,000 for two months on 125 shares. —D. R.

Copy of Exhibit marked **A 74.**

For a copy of this Exhibit, vide Minutes of Evidence, Vol. 1., p. 126.

Copy of Exhibit marked **A 75.**

Copy letter No. 6645, dated 22nd September 1863, entered in Letter Book No. 48 of the Bank of Bombay.

No. 6645.

To the Agent of the
Bank of Bombay, Hydrabad, Deccan.

Dear Sir,

In returning revised the List of Names of Bankers and others at Hydrabad and elsewhere, I am to point out that the information we have been able to obtain here is, to a certain extent, uncertain, and that the directors consider that the agents have better opportunities of ascertaining the means of persons in their neighbourhood.

Persons who have been stated to be worth "any amount" have been fixed at a maximum of three lakhs, that being, in the opinion of the directors, sufficient credit at one time for any person, except in special cases in which the agents are at liberty to exercise their discretion.

I am, &c.
(Signed) J. H. RYLAND,
Officiating Secretary.

Copy of Exhibit marked **A 76.**

Copy letter No. 5751, dated 1st December 1864, entered in Letter Book No. 4 of the Bombay Bank.

No. 5751.

To the Agent,
Bank of Bombay, Kalbadevi.

Dear Sir,

I beg to call your attention to the large balance of cash which has been for a considerable period lying at your branch.

You are aware that it is of much importance to have the funds of the bank circulating throughout the country at remunerative rates, and to this end I have to request that you will cultivate a good understanding with the other agents, so that there may be no hindrance to the bank in receiving the full advantage of its money.

You will please keep the agents, especially those having a business connexion with your city, well informed of your rates.

It must be remembered that, however much you may remit to a branch, you are not at liberty, without permission of the agent, to draw upon it.

Instead of passing your transactions with branches through the bank's account, you may now open a general ledger account in their names, which will render any advice of such transactions to head office unnecessary; transactions with sub-branches will be placed to account of the branch to which they are sub.

I am, &c.
(Signed) D. ROBERTSON,
Officiating Secretary.

Please close your books in time for us to receive your returns at the latest on the 24th instant.

The weekly state should be written up to the date you close up your books, in the usual (weekly) manner, and all the balance entries ought to be shown in the balance sheet.

Money market becoming tighter here.

Copy of Exhibit marked **A 77.**

Copy letter No. 80, dated 6th January 1865, entered at page 57 in the Private Letter Book of the Bank of Bombay.

No. 80.

To the Agent,
Bank of Bombay, Surat.

Dear Sir,

We are informed that if at any time you should require information regarding the standing of parties who may wish to discount or have advances from you, Mr. Abbaichund Cullianchund will be happy to render you every assistance.

He is agent for Premchund Roychund, and his information should consequently be trustworthy, and I would recommend you to apply to him whenever you may be in doubt.

Yours truly,
(Signed) D. ROBERTSON,
Deputy Secretary.

Copy of Exhibit marked **A 78.**

Copy letter No. 81, dated 6th January 1865, entered in Private Letter Book, page 57, of the Bank of Bombay.

No. 81.

To the Sub-Agent, Bank of Bombay,
Broach.

Dear Sir,

We are informed that if at any time you should require information regarding the standing of parties who may wish to discount or have advances from you, Mr. Anoopchund Maloockhund will be happy to render you any assistance.

As this reference has been made by Mr. Premchund Roychund, any information Anoopchund may give should consequently be trustworthy.

(Signed) D. ROBERTSON,
Deputy Secretary.

Copy of Exhibit marked **A 79.**

For a copy of this Exhibit, vide Minutes of Evidence, Vol. 1., p. 127.

Copy of Exhibit marked **A 80.**

STATEMENT of TRANSACTIONS at the KALBADEVI BRANCH for the Week ending 7th January 1865.

DR.

1865.															
Jan.															
3		Cheque of W. Bullock on this Branch.	2,008	0	0										
"	122	Our draft on H.O. in favor of Govindas.	40,000	0	0										
"	121	Our draft on H.O. in favor of Shroff.	2,00,000	0	0										
"		Eight Hoondies received for collection.	38,300	0	0										
4		Eleven - - -	39,500	0	0										
"		Cheque on C.B. returned back, its due date being 10 Jan.	3,500	0	0										
5		Four Hoondies received for collection.	30,250	0	0										
"	124	Our draft on H.O. in favor of Bharmul Purbut.	48,433	5	4										
6		Four Hoondies received for collection.	55,000	0	0										
"	129	Our draft on H.O. in favor of Shroff.	1,00,000	0	0										
7		Nine Hoondies received for collection.	1,75,000	0	0										
						7,31,991	5	4							
		CURRENT DEPOSITS.													
3		Jumnadas Balkisondas -	22,500	0	0										
"		Purbhoobhoy Nugurbhoy -	9,500	0	0										
"		Seevmoortee Annapooree -	30,000	0	0										
"		" " -	23,062	9	0										
"		Tarrachund Sobagchund -	30,998	0	0										
"		Vundravundas Jumnadas -	9,000	0	0										
"		Jaysuram Kisouram - -	3,500	0	0										
"		Rutousu Ludhanee - -	4,000	0	0										
"		Trebhoovundas Gordhundas -	49,500	0	0										
"		Magunchund Sakulchund -	30,000	0	0										
"		Pranvulubdas Pranjeevundas -	600	0	0										
"		Seevmoortee Annapooree -	24,000	0	0										
"		Jaithmul Beesundayal -	5,000	0	0										
4		Ramdayal Rugoonath - -	100	0	0										
"		Gunesh Narayan - -	50	0	0										
"		Gumburchund Budrinath -	2,500	0	0										
"		Ramdayal Rugoonathdas -	12,670	2	0										
5		" " -	18,019	12	4										
"		Khoosaldas Damoderdas -	3,000	0	0										
"		Gumburchund Budrinath -	2,500	0	0										
"		Naro Bhasker - -	12,000	0	0										
"		Praujeevundas Toolseedas -	4,500	0	0										
"		Pooranmub Chimouram -	1,000	0	0										

CR.

1865.															
Jan.															
		BANK OF BOMBAY.													
3		Three drafts, forwarded for collection.	53,000	0	0										
"		Cheque on O.B.C., forwarded for collection.	800	0	0										
"		Two Oomrawuttee drafts, 107 and 108, forwarded for collection.	22,500	0	0										
4		Bill on Martin, Young, & Co., forwarded for collection.	8,063	3	4										
"		Cheque on O.B.C., forwarded for collection.	100	0	0										
6		Cheque on E. Rogers, forwarded for collection.	250	0	0										
						84,713	3	4							
		CURRENT DEPOSITS.													
3		Tribhoovundas Gordhundas -	9,500	0	0										
"		Jumnadas Balkisondas -	12,000	0	0										
"		W. Bullock - - -	200	0	0										
"		Govindjee Bhanjee - -	8,000	0	0										
"		Seevmoortee Annapooree -	50,000	0	0										
"		Govindas Rugoonathdas -	40,000	0	0										
"		Adumjee Jumaldin - -	1,000	0	0										
"		W. Bullock - - -	2,008	0	0										
4		Purbhoobhoy Nagurbhoy -	2,500	0	0										
"		Rutousee Ludhanee - -	4,000	0	0										
"		W. Bullock - - -	1,000	0	0										
"		Jumnadas Balkisondas -	5,000	0	0										
"		Tribhoovundas Gordhundas -	15,000	0	0										
"		Govindas Rugoonathdas -	10,000	0	0										
"		Purbhoobhoy Nugurbhoy -	7,000	0	0										
"		Ramdayal Rugoonathdas -	12,600	0	0										
"		Shivram Govind - -	10	0	0										
"		Jaysuram Kisouram - -	3,500	0	0										
5		Seevmoortee Annapooree -	30,000	0	0										
"		Sutaram Govind - -	100	0	0										
"		Tribhoovundas Gordhundas -	5,000	0	0										
"		Ramdayal Rugoonathdas -	18,000	0	0										
"		Pranvulubdas Pranjeevundas -	450	0	0										
"		Vundravundas Jumnadas -	3,875	0	0										
"		Muguncund Sukhdew -	7,000	0	0										
"		Jeetmul Beesundayal - -	5,000	0	0										
"		Gumburchund Budrinath -	2,500	0	0										
6		Kursondas Kesowdas - -	445	15	1										

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STATEMENT of TRANSACTIONS at the KALBADEVI BRANCH, for the Week ending 7th January 1865—*continued.*

DR.

1865.							
Jan.							
	Ramdayal Rugoonathdas -	250	0	0			
	Seevmoortee Annapooree -	17,434	0	6			
	" " - -	18,000	0	0			
	Annajee Ramchunder -	2,487	5	0			
	Balkrishna Seetoram & Co. -	2,375	0	0			
	Pranjeevundas Toolseedas -	2,500	0	0			
	Jumnadas Vrijlal - -	1,500	0	0			
	Narunbhoy Tapidas - -	5,000	0	0			
5	Jayseeram Kisouram - -	18,000	0	0			
"	Seevmoortee Annapooree -	40,000	0	0			
7	Davidas Luckmidas - -	83,048	0	0			
"	Balkrishna Seetaram & Co. -	1,287	10	0			
"	Govindram Hurdutroy -	1,000	0	0			
"	Hurry Govind Walaker -	10,000	0	0			
"	Cowasjee Aderjee - -	14,000	0	0			
"	" " - -	2,000	0	0			
"	Gumburchund Budrinath -	5,000	0	0			
"	Itcharam Hurjeevun - -	10,000	0	0			
"	Cursondas Luckmidas -	25,000	0	0			
					5,56,882	6	10
	HOONDIES.						
"	Ten Hoondies remitted to Ahmedabad.	50,000	0	0			
"	Six Hoondies remitted to Hydrabad.	1,05,000	0	0			
7	Seven Hoondies remitted to Ahmedabad.	30,000	0	0			
					1,85,000	0	0
	EXCHANGE.						
	On Hoondies as per contra -	914	1	0			
	On drafts on Hydrabad -	1,575	0	0			
					2,489	1	0
	DISCOUNT.						
	On bills as per contra - -	9,761	5	7			
					9,761	5	7
	BILLS DISCOUNTED.						
3	Bill on Norundas Luckmidas, No. 308.	1,500	0	0			
"	" Mooljee Dhunjee, No.	500	0	0			
"	" Hunmuntram Sadasook, No. 312.	500	0	0			
"	" Gungaram Buldeve, No. 304.	500	0	0			
"	" Chatoobhoy Deokurun, Nos. 310, 313.	500	0	0			
"	" Soojanmul Balchund, No. 307.	250	0	0			
"	" Nathumal Gordhundas, No. 309.	250	0	0			

CR.

1865.										
Jan.										
6	Pranvulubdas Pranjeevundas -						145	0	0	
"	F. D. Furanda - -						200	0	0	
"	Tegrain Pemraj - -						2,500	0	0	
"	Tribhoovundas Gordhundas -						10,000	0	0	
"	Narunbhoy Tapidas - -						2,500	0	0	
"	" " - -						4,000	0	0	
"	Pooranmul Chimouram -						1,000	0	0	
"	Vurjeevundas Premchund -						10,000	0	0	
"	Davidas Luckmidas - -						20,000	0	0	
"	" " - -						24,133	15	6	
7	Ramdayal Rugoonath -						1,100	0	0	
"	Pranjeevun Toolsee - -						7,000	0	0	
"	Annajee Ramchunder -						2,500	0	0	
"	Kesowlal Choonilal - -						30,000	0	0	
"	Tarachund Sobaychund -						30,000	0	0	
"	Seevmoortee Annapooree -						75,000	0	0	
"	Suolal Motulal - -						1,10,000	0	0	
"	Cursondas Luckmidas - -						15,000	0	0	
"	Muguchund Sakulchund -						18,000	0	0	
"	Naro Bhasker - -						12,000	0	0	
"	Narayanbhoy Tapidas - -						4,000	0	0	
"	Davidas Luckmidas - -						46,000	0	0	
										6,80,767 14 7
	HOONDEES.									
5	581 Dhunjee Thacorsee & Co.	Ahd.	98/12		625	0	0	50,000	0	0
"	582 Nathmul Gordhundas.	Hyd.	78/2					20,000	0	0
"	583 " "	"	"					10,000	0	0
"	584 " "	"	"					20,000	0	0
"	585 Gordhundas Caliandas.	"	"					10,000	0	0
"	586 Doongurseedas Rameuton.	"	"					20,000	0	0
"	587 "	"	"					5,000	0	0
"	588 "	"	"					20,000	0	0
7	589 Laldas Royjee	Ahd.	99/1	}	117	3	0	{ 2,500	0	0
"	590 Comedchund Hukumchund.	"	"	}				{ 10,000	0	0
"	591 Luckmidas Gopaldas.	"	99	}	75	0	0	{ 5,000	0	0
"	592 " "	"	"	}				{ 2,500	0	0
"	593 Comedchund Hukumchund.	"	99/1		46	14	0	5,000	0	0
"	594 Jumnadas Vurjeevundas.	"	99/.	}	50	0	0	{ 2,500	0	0
"	595 " "	"	"	}				{ 2,500	0	0
					914	1	0			1,85,000 0 0

STATEMENT of TRANSACTIONS at the KALBADEVI BRANCH, for the Week ending 7th January 1865—*continued.*

DR.

1865.				
Jan. 3	Bills on Champsee Gungodhur, No. 315.	2,500	0	0
„	„ Joravurmul Jaitha, No.	500	0	0
„	„ Joculdas Madhowjee, No. 314.	500	0	0
„	„ on Balajee Sadasook, Nos. 214, 215.	3,500	0	0
„	„ on Saligran Kilanee, No. 353, 354.	5,000	0	0
4	„ Mooljee Dhunjee, No.	2,500	0	0
„	„ Nuthumul Gordhundas, No. 340.	2,500	0	0
„	„ Narunbhoy Tapidas, No.	15,000	0	0
„	„ Sagurmul Surdarmul, No. 300.	1,000	0	0
„	„ Guneshdas L. and Nandram Ram, No. 233.	2,000	0	0
„	„ Kesowjee Jadowjee, Nos. 207, 311.	3,000	0	0
„	„ Martin, Young, & Co. No.	8,063	3	4
5	„ Davekurun Ramanoud, No. 355.	2,500	0	0
„	„ Hurdevedas Buldivedas, No.	20,000	0	0
6	„ Roysee Laljee, No. 330.	1,000	0	0
7	„ Davidas Luckmidas, No.	20,000	0	0
„	„ Heeralal Ramgopal No. 236.	2,500	0	0
„	„ Keerparam Heemutram, No. 200.	2,500	0	0
„	„ Narayau Seevjee, No. 273.	2,500	0	0
„	„ Rutonsee Goculdas, No. 275.	1,000	0	0
„	„ ShamjeePurbut, No.274	2,500	0	0
„	„ Bhanjee Jivraj, No. 248	5,000	0	0
„	„ Laloobhoy Dhurumchund, No. 317.	1,000	0	0
	„ Walajee Norunjee, No. 329.	500	0	0
„	„ Goculdas Madhowjee, No. 228.	2,500	0	0
„	„ Kesowjee Jadhowjee, No. 227.	500	0	0
„	„ Kesowjee Jadhowjee, No. 226.	1,000	0	0

CR.

				1865. Jan.		EXCHANGE.			
				5		On draft on Ahmedabad -		100	0 0
				6		Charges on silver by a credit to Ahmedabad.		39	13 0
				7		For our draft on Ahmedabad -		37	8 0
									177 5 0
						BILLS DISCOUNTED.			
a/o	9	%	9	3	376	Martin, Young, & Co. and Seevmortee A.	33 13 3	15,035	3 2
	1		9	„	375	H. M. Camajus Sons and Seevmortee A.	2 0 3	8,063	3 4
	29		10	„	377	Gunsamdas, Nuthmul, and Pooranmul C.	161 1 9	20,000	0 0
	7		9	„	378	Seevmoortee Annapooree -	43 12 0	25,000	0 0
	34		11	4	379	Tarrachund Seetaram, and Nundram R.	31 2 8	3,000	0 0
				„	380	Shamjee Purbut and Naro Bhasker.		10,000	0 0
	23		10	„	381	Vasunjee Goculdas and Naro Bhasker.	105 8 10	10,000	0 0
				„	382	Khatesee Ragowjeee and Ramdayal Rugoon.		1,212	8 0
				„	383	Mooljee Dhunjee and Ramdayal Rugoon.		2,500	0 0
				„	384	Jadowjee Gopaljee and Ramdayal Rugoon.		2,500	0 0
	12		10	„	385	Jivraj Rutonsee and Ramdayal Rugoon.	42 6 0	1,000	0 0
				„	386	Nuvulram Davechund and Ramdayal Rugoon.		2,500	0 0
				„	387	Tribhoovundas Gordhundas and Ramdayal Rugoon.		2,000	0 0
				„	388	Hurjee Nayau and Ramdayal Rugoon.		1,000	0 0
	19		10	„	389	Vurdhaman Poonsee and Dewjee Kisowjee.	31 10 8	6,000	0 0
	12		11	„	390	Achrutlal Mayaram and Cursondas Lusk.	18 5 4	5,000	0 0
	58		12	„	391	Pooranmul Chimouram -	1,933 5 4	1,00,000	0 0

STATEMENT of TRANSACTIONS at the KILBADEVI BRANCH for the Week ending 7th January 1865—*continued.*

DR.

1865.							
Jan.							
7	Bills on Veerju Nursee & Co., No. 325.	5,000	0	0			
"	" Goculdas Madhowjee, No. 224.	500	0	0			
"	" Norundas Luckmidas, No. 322.	2,500	0	0			
"	" Norundas Luckmidas, No. 319.	2,500	0	0			
"	" Kesowjee Jadhowjee, No. 321.	1,000	0	0			
"	" Heerjee Bhimsee & Co., No. 320.	1,000	0	0			
	" Veerjee Nursee & Co., No. 318.	2,500	0	0			
	" Luckumsee Bhoyroy & Co., No. 271.	12,500	0	0			
"	" Jugonath Ramjus, No. 235.	2,500	0	0			
	" Veerchund Deepchund, No.	1,50,000	0	0			
					2,95,063	3	4
	BILLS FOR COLLECTION.						
5	On Seevmoortee Annaporee -	40,000	0	0			
7	On Ramruton Biznath - -	15,000	0	0			
					55,000	0	0
	FIXED LOANS.						
5	Received from Hurmookroy Sevdayal.	10,500	0	0			
7	Received from Jumnadas Davidas.	61,000	0	0			
"	Received from Davidas Luckmidas.	1,00,000	0	0			
					1,71,500	0	0
	INTEREST ACCOUNT.						
4	Received from Pooranmul Chemouram on Hoondees 5,000.	24	0	0			
5	On Rs. 10,500 to Hurmookroy	90	6	8			
7	Received from Jugonnath Ramjus on Hoondees 2,500.	0	13	4			
"	Received from Davidas Luckmidas, P.N.	91	10	8			
"	On Rs. 61,000 to Jumnadas Davidas.	676	1	4			
"	On Rs. 1,00,000 to Davidas Luckmidas.	972	3	6			
					1,855	3	6

CR.

	1865. Jan.							
94 12	5	392	Meeajee Ahmedbhoy and Lookmanjee K.	313	5	4	10,000	0 0
	"	393	Veerjee Nursee & Co. and Ramdayal Ragoo.				7,500	0 0
	"	394	Vurdhaman Poonsee and Ramdayal Ragoo.				5,000	0 0
11 10	"	395	Kesowjee Bharmul and Ramdayal Ragoo.	55	3	8	2,500	0 0
	"	396	Kanjee Purbut & Co. and Ramdayal Ragoo.				2,500	0 0
	"	397	Dhurusee Jaetha and Ramdayal Ragoo.				575	0 0
35 12	"	398	Hoormookray Sivdayal and Kisondayal J.	186	10	8	16,000	0 0
94 12	"	399	Bharmul Purbut & Co. and Jivray R.	1,566	10	8	50,000	0 0
24 12	"	400	Dosibaw widow of Karkuoro Framjee and Domoder.	306	10	8	40,000	0 0
34 12	"	401	D. J. Lisbon and F. F. Zarier	680	0	0	60,000	0 0
	6	402	Jumnadas Balkisondas and Seevmoortee A.				10,000	0 0
13 10	"	403	Jumnadas Balkisondas and Seevmoortee A.	54	2	8	5,000	0 0
	"	404	Goculdas Madhowjee and Seevmoortee A.				2,000	0 0
17 10	"	405	Goculdas Madhowjee and Seevmoortee A.	11	12	10	500	0 0
17 11	"	406	Trecumjee Weljee and Anajee Ramchund.	12	11	0	2,500	0 0
93 12	7	408	Luckmidas Hunsraj and Nathoo Kesowjee.	775	0	0	25,000	0 0
34 12	"	411	Ramdas Toolseedas and Jumnadas Dolutdas.	952	0	0	500	0 0
62 12	"	410	Davidas Luckmidas and Jumnadas Dolutdas.	1,260	10	8	61,000	0 0
34 12	"	409	Ramdas Toolseedas and Jumnadas Dolutdas.	1,133	5	4	1,00,000	0 0
	"	412	Veerjee Nursee & Co. and Ramdunton Bri.				10,000	0 9
12 10	"	413	Veerjee Nursee & Co. and Ramdunton Bri.	50	0	0	5,000	0 0
				9,761	5	7		
			SUSPENSE ACCOUNT.					
	5		Pay of two Ramosees for December 1864 ad. 9½.				19	0 0

		7,13,885 14 6
		19 0 0

STATEMENT of TRANSACTIONS at the KALBADEVI BRANCH, for the Week ending 7th January 1865—*continued.*

DR.							CR.						
1865. Jan.							1865. Jan.						
		HYDRABAD BRANCH.						HYDRABAD BRANCH.					
5	127	Our draft on Hydrabad Branch	300 0 0	16,200 0 0			5	Six Hoondees remitted to Hydrabad.		85,050 0 0			
„	126	„ „ „ -	150 0 0	8,100 0 0							85,050 0 0		
„	128	„ „ „ -	750 0 0	40,500 0 0									
„	125	„ „ „ -	375 0 0	20,250 0 0									
					85,050 0 0			AHMEDABAD BRANCH.					
		AHMEDABAD BRANCH.					5	Ten Hondes remitted to Admedabad.		50,000 0 0			
„	123	Our draft on Ahmedabad Branch.		40,000 0 0			7	Seven „ „ „		30,000 0 0			
6		Expenses on silver by debit to exchange.		39 13 0							80,000 0 0		
7	130	Our draft on Ahmedabad Branch.		10,000 0 0								18,29,613 5 5	
					50,039 13 0								
						21,44,632 6 7							
								BALANCE of CASH on hand this day :—					
								Currency notes, $\frac{275}{10}$, $\frac{222}{20}$, $\frac{205}{50}$, $\frac{255}{100}$, $\frac{219}{500}$, $\frac{113}{1000}$.		1,80,590 0 0			
								Silver - - -		1,59,029 0 0			
								Copper - - - -		70 10 4			
		Balance of Cash on hand on 28th December.		24,670 0 0	24,670 9 2						3,39,689 10 4		
						24,670 9 2						3,39,689 10 4	
				Total Rupees - - -		21,69,302 15 9				Total Rupees - - -		21,69,302 15 9	

ABSTRACT OF STATE.

		DR.	CR.			DR.	CR.
Bank of Bombay - - -		7,31,991 5 4	84,713 3 4		GENERAL BALANCES.		
					Bank of Bombay - - -		47,67,982 11 10
Current Deposits - - - -		5,56,882 6 10	6,80,767 14 7		Current Deposits - - - -		3,23,384 5 4
Hoondies - - - -		1,85,000 0 0	1,85,000 0 0		Exchange - - - -		3,811 12 0
Exchange - - - -		2,489 1 0	177 5 0		Discount - - - - -		34,144 14 2
Discount - - - -		9,761 5 7			Stamps - - - - -	188 12 0	
Bills discounted - - - -		2,95,063 3 4	7,13,885 14 6		Bills discounted - - - -	23,73,564 6 3	
Bills for Collection - - -		1,55,000 0 0			Indore Branch - - - -	7,30,450 10 0	
Fixed Loans - - - -		1,71,500 0 0			Fixed Deposits - - - -		3,475 0 0
Interest Account - - -		1,855 3 6			Hydrabad Branch - - -	3,74,448 8 0	
Hydrabad Branch - - -		85,050 0 0	85,050 0 0		Kurrachee Branch - - -	20,443 12 0	
Ahmedabad Branch - - -		50,039 13 0	80,000 0 0		Ahmedabad Branch - - -	3,59,360 8 10	
Suspense Account - - -			19 0 0		Surat Branch - - - -	5,453 7 0	
	14,12,641 1 3			17,44,900 2 1	Oomrawuttee Branch - - -	62,793 12 0	
					Interest Account - - -	3,933 9 5	
Balance on the 28th December 1864 -		24,670 9 2			Barodas Branch - - -	62,896, 11 6	
„ „ 7th January 1865 -			3,39,689 10 4		Fixed Loans - - - -	7,99,750 0 0	
					Suspense Account - - -		175 0 0
	Rs.	21,69,302 15 9	21,69,302 15 9		Balance of Cash on hand - - -	3,39,689 10 4	
					Rs.	51,32,973 11 4	51,32,973 11 4

I certify and declare that this state contains a full and accurate account of every transaction at this Branch during the preceding week; that the same are faithfully recorded in the cash book, and posted into the ledger; that the discount, exchange, and other charges and calculations have been stated and made, and are entered all conformably to the rules of the Bank; that the balance of cash as before particularized, amounting to Rs. three lacs thirty-nine thousand six hundred and eighty-nine, annas ten, and pices four, is a true balance, and all in my possession.

(Signed) W. BULLOCK.

I certify and declare that this state contains a true account of all the transactions at this Branch for the preceding week, so far as I know; that the same are accurately entered into the cash book, and posted into the ledger; that the discount, exchange, and other charges and calculations have been stated and made, and are entered, all conformably to the instructions of the Bank; and that I have counted the cash, and found the balance to be exactly as above stated, and to consist of nothing else than the coin above particularized.

(Signed) BALKISSON VIZBHOOCUNDASS,
for Accountant.

Kalbadevi Branch,
7th January 1865.

Copy of Exhibit marked **A 81.**

Copy letter No. 2341, dated 21st April 1865, entered in Letter Book No. 5, of the Bank of Bombay.

Circular No. 2341.

The Sub-Agent, Bank of Bombay.

Broach.

Dear Sir,

Please note, for your future guidance, that, without the sanction of Head Office, you are not authorized for the present to advance on one party's name more than Rupees 20,000 at a time, and even for this amount we wish you to obtain collateral security, if at all possible.

I am, &c.

(Signed) W. RODGIE,
Officiating Deputy Secretary.

Copy of Exhibit marked **A 82.**

For an extract from this exhibit of so much as is material, *vide* Minutes of Evidence, Vol. I., p. 97.

Copies of Exhibits marked **A 83, A 84, A 85, A 86, A 87, A 88, A 89,** and **A 90.**

For copies of these exhibits, *vide* Minutes of Evidence, Vol. I., pp. 134, 135, 136, and 137.

Exhibits **A 91** to **A 95.**

These documents are not printed, being immaterial.

Copy of Exhibit marked **A 96.**

For an extract from this exhibit of so much as is material, *vide* Minutes of Evidence in Vol. I., p. 163.

Copy of Exhibit marked **A 97.**

For an extract from this exhibit of so much as is material, *vide* Minutes of Evidence in Vol. I., p. 164.

Copy of Exhibit marked **A 98.**

My dear Robertson,

With reference to Premchund's over-draft for Rs. 3,00,000, I guarantee the repayment of the amount before the end of the month.

Yours sincerely,
R. L. TRACEY.

19th April.

Copy of Exhibit marked **A 99.**

My dear Tracey,

Mr. Robertson agrees to give me ½ lac in cash if Messrs. R. S. & Co. guarantee my giving bills on Calcutta for a lac on Monday to him. I shall be obliged if you will send him a letter, and he promised me to settle with the old Financial also.

Yours sincerely,
PREMCHUND R.
19th May /66.

My dear Robertson,

I guarantee that Premchund will do what he has promised, as per annexed note from him, and will sign a form of guarantee if you wish.

Yours sincerely,
R. L. TRACEY.
19 May.

Copy of Exhibit marked **A 100.**

My dear Blair,

Ghellabhoy Pudduusey wants a loan on 10 Elphinstone shares for 3 months at 10 ° , for Rs.12,00,000; he is quite safe for 5 to 10 lacs.

Hurbhum Nursey, also same kind of loan is required; will you give them? They are both quite safe, and owners and partners of the firms of Sewjee Nursey & Co., and Veerjee Nursey & Co.

Yours sincerely,
PREMCHUND ROYCHUND.
26th Nov. /64.

Copy of Exhibit marked **A 101.**

My dear Blair,

Casumbhoy Nathabhoy is quite safe for this amount. Will you discount for him at 10 ° , for 3 months?

Yours sincerely,
PREMCHUND R.
26th Nov. /64.

Please pass to-day.—D.R. 2,50,000.

Copy of Exhibit marked **A 102.**

My dear Mr. Blair,

Please give Mr. Quadros and Mr. De Lemos for 50,000 for 3 months.

Yours sincerely,
PREMCHUND R.
19th July /64.

Copy of Exhibit marked **A 103.**

For a copy of this Exhibit, *vide* endorsement on Exhibit A 37.

Copy of Exhibit marked **A 104.**

For a copy of this Exhibit, *vide* endorsement on Exhibit A 61.

Copy of Exhibit marked **A 105.**

My dear Robertson,

The Honorable Premabhoy wants a loan for 3 lacs for 3 months. I think they are safe.

Yours sincerely,
PREMCHUND ROYCHUND.
27th April '65.

Endorsement.

I think you are.—R. H.

Copy of Exhibit marked **A 106.**

Bank of Bombay.
Bombay, 27 Apl. 1865.

My dear Premchund,

The Honble. Premabhoy Hemabhoy has bills and hoondies falling due in May and June to the extent of Rs. 5,20,000. Do you think we ought to advance him

other 3 lacs. The directors to-day appeared to think five lacs to be too much for any one man. Premabhoy is of course undoubted. Please give me your opinion.

Yours sincerely
D. ROBERTSON.

What do you say to the enclosed.—D. R.

Endorsement.

Copy of Exhibit marked **A 107.**

Hoondies will be paid off at due dates, and he has no discount at any place, and I think you cannot find a safer man than him in Bombay.—P. R.

Copy of Exhibit marked **A 108.**

My dear Robertson,

The Honorable Premabhoy got bills due for five lacs in the Bank of Bombay, and he wants you to advance him that amount. For the payment for one month he will give you as many shares in security you require.

Yours sincerely,
PREMCHUND R.
10 May '65.

Endorsement.

Ask all the directors, please.—P. R.

Copy of Exhibit marked **A 109.**

My dear Robertson,

Has Veerchund Deepchund's bill for 1,00,000 passed, meaning he mark a discount for 2 months.

Yours sincerely,
PREMCHUND R.
29th April /65.

Copy of Exhibit marked **110.**

Veerchund Deepchund wants 1 lac on personal security. He is quite safe. See if you like to do it.—P. R.
And see if he has any more discounts.

Copy of Exhibit marked **A 111.**

Bank of Bombay,
My dear Premchund, Bombay, 19th Dec. 1864.

Kindly tell me to what extent you think I may make an advance to Nowrojee Ardaseer Davur with Huschke and Co's. name at present. Also how much to Jaivirilall Umiashunker and Co.

Truly yours,
JAMES BLAIR.

Endorsement.

My dear Blair,

Give Nowrojee Rs. 100,000 and Jaivirilall 1 lac, both quite safe.

Yours sincerely,
PREMCHUND R.

Copy of Exhibit marked **A 112.**

Bank of Bombay,
My dear Tracey, Bombay, 24 Aug. 1865.

Premchund asked me to give a man of the Pestonjee Nowrojee Khras a loan of a lac, either on Commercial Bank shares or on Back Bays. I believe he belongs to your establishment. Would you recommend me to give him the loan? If he is a respectable man I think we ought to give it. We must lay out our money some way, and we will be perfectly safe in this case. Premchund does not want his name mentioned.

Yours sincerely,
D. ROBERTSON.

Endorsement

My dear Robertson,

He is our Shroff, and a very good man.
You can give him the loan with safety.

Yours sincerely,
R. L. TRACEY.

Copy of Exhibit marked **A 113.**

My dear Mr. Blair,

Please give Pestonjee Nowrojee Khras, Esq. Rs. 25,000 for 3 months. He is quite safe for 1 lac.

Yours sincerely,
PREMCHUND R.
15th July /64.

Copy of Exhibit marked **A 114.**

My dear Blair,

The bearer wants a loan for 25,000. He is quite safe for the amount. If he has no former discount then give him.

Yours truly,
PESTONJEE NOWROJEE KHRAS. PREMCHUND R.
12th April /65.

Endorsement.

Any bills under discount.—J. B.
Nothing from us.—D. M.
Nothing under discount.—J. B.

Copy of Exhibit marked **A 115.**

Bank of Bombay.
My dear Hannay, Bombay, 11 May 1865.

I have just received the enclosed from Premchund. It resolves itself into this:—we increase Premabhoy's liability in the meantime by 3 lacs and reduce that of the Elphinstone Financial by that amount.

Yours sincerely,
D. ROBERTSON.

Endorsement.

Copy of Exhibit marked **A 116.**

My dear Robertson,

This is a great falling off; still, with consent of fellow directors, I would rather increase Premabhoy's liabilities and decrease those of the Financial.

Yours sincerely,
R. HANNAY.
11/5/65.

Copy of Exhibit marked **A 117.**

My dear Robertson,

I have made inquiries about Mr. Muncherjee Framjee Cola, as the board had left upon me to do so, and am given to understand from many quarters, that what he had stated in his note are real facts; and the offer he made may be accepted.

Honble. Rustomjee Jamsetjee Jejeebhoy stated in the board about his circumstances also, so I do not think advisable to wait any more for further inquiry.

Yours sincerely,
COWASJEE MANOCKJEE.
11/10/65.

Copy of Exhibit marked **A 118.**

Bombay, 25 April 1865.

To the Secretary and Treasurer, Bank of Bombay,
Bombay.

Dear Sir,

We will thank you to say if you will advance us Rs. 1,00,000, one lac of rupees, on our promissory note for three months (and at what rate of interest). An early answer will oblige.

Yours faithfully,
B. F. CAMA, SONS, & Co.

Endorsement.

With great pleasure give him.—P. R.
Anything under discount?—Nothing.—D. R.
No cash credit.—J. M. de G.
No loan.—Ch. C.
Nothing with us.—D. R.

Copy of Exhibit marked **A 119.**

My dear Robertson,

I consider B. F. Cama perfectly good for 2 lacs, I would give him one lac, with his son's name, and one

lac with his own firm's name, signed also by P. & D. Cama & Co. Ask Cowasjee Manockjee, I do not think he will object.

Yours sincerely,
R. HANNAY.
17/7/65.

Bomanjee will also give you a letter guaranteeing that as soon as one of his steamers is sold and paid for, the money will be handed to the Bank of Bombay.

Copy of Exhibit marked **A 120.**

My dear Robertson, 28th August 1865.

I think now is the time to go out of the secured bills that are already overdue. Please take the opinion of the full board at once, as to what measures should be adopted to recover our money from the property which the bank holds on account of such bills. I am of opinion that if the value of any of the secured bills comes nearer to the amount advanced, they should at once be sold. For instance, the loan of two lakhs of rupees granted to Pestonjee Cursetjee Shroff on the security of the Commercial Bank shares can, if I am not mistaken, be recovered by selling the property. I do not see any reason why we should wait longer if we can recover now the full amount advanced. You will will find many more instances like this, if you will kindly refer to the lists at the Head Office, and at the Kalbadevi Branch. I shall be obliged by your furnishing me with a copy of the list of the secured bills, in order to enable me to inform you from time to time what bills are sure to realize the amount granted. Please circulate this among my co-directors for their opinion, and oblige

Yours, &c.
(Signed) COWASJEE MANOCKJEE.

Copy of Exhibit marked **A 121.**

Bank of Bombay,
My dear Cowasjee, Bombay, 28th August 1865.

Prices of shares are not yet up to what will let us out. We advanced on Commercial Bank shares at 50 per cent. premium, Asiatic at 75 per cent. premium. I think it would be a pity to sell just now, unless it is supposed that this rise in shares is only temporary. I do not think it is so, and I dare say we may soon see Commercial and Asiatics up to our rate.

You may rest assured that I shall realize securities held for past due bills whenever they reach such a price as to cover the debt.

I think it would be better to leave the matter over until Thursday, as I fear the directors might not understand your note, but the question is one which ought to be discussed at the first meeting. I shall get a list of secured debts from Kalbadevi, and also a list of secured debts here prepared. If you are passing this afternoon perhaps you will kindly look in, and we shall talk the matter over.

Yours sincerely,
(Signed) D. ROBERTSON.

Copy of Exhibit marked **A 122.**

Private. Bank of Bombay,
My dear Cowasjee, Bombay, 6th March 1865.

We do not, as a rule, advance upon any shares; but in some instances we have granted loans on personal security, and have received Back Bay and Elphinstone shares from the parties for deposit in the bank for safe custody. Of course the parties consider that these shares are lodged as collateral security.

Yours sincerely,
(Signed) D. ROBERTSON.

Copy of Exhibit marked **A 123.**

(1.) Large diamond and emerald necklace, 2 lacs.
(3.) 1 large necklace, diamonds, emerald, rubies, &c., 1 lac.
2 pearl necklaces, 60,000 and 15,000.
(8.) 1 Diamond and emerald necklace, with tassels, $2\frac{1}{2}$ lacs.
6 diamond bracelets, 60,000.
(7.) 1 large diamond ring, 10,000.
1 emerald ring, 2,000.
1 pair diamond and emerald earrings, 10,000.
2 pairs diamond ditto, 50,000.
50,000. { 4 large diamond drops.
3 ditto ditto.
(6.) 1 diamond armlet or googree, 10,000.
(5.) 1 ditto armlet or bauk, 50,000.
(2.) 1 ditto necklace, 26,—1,50,000.
(4.) 1 small diamond necklace, 36,—40,000.

Copy of Exhibit marked **A 124.**

For this exhibit, *vide* Minutes of Evidence, Vol. 1., p. 224.

Copy of Exhibit marked **A 125.**

(Private.)
My dear Robertson,

My brother replied to your note of yesterday, and my reply to it would have been in the same terms as his.

Will you kindly discount Mr. Homejee Cursetjee Dady's promissory note for *three* months certain to the extent of *two* lacs at the usual rate of interest?

Yours faithfully,
8/3/65. COWASJEE MANOCKJEE.

Endorsement.

Passed for two lacs unless he can do with one.
D.R.

Copy of Exhibit marked **A 126.**

My dear Robertson,

I would strongly recommend that you renew loan to Homjee Cursetjee Dady. His securities are good for all his debts, and his land will remain intact. All that he needs is time. Part of the property will most probably be sold in about a month, and if so, the proceeds in which he is interested will go to reduce loans. In case of need you may tell my brother directors that I have known Mr. Homjee intimately ever since arriving in Bombay, and I look upon his loan as being perfectly safe. All that I recommend is in this case do not press.

Yours sincerely,
21 March 1866. R. HANNAY.

Copy of Exhibit marked **A 127.**

MEMORANDUM of BILLS handed, Bank of Bombay, as Security for Cash Credit to Asiatic Banking Corporation.

			Rs.		
Commercial Bank	due 15 May	-	37,316	0	0
Oriental Bank	„ 16 „	-	23,460	1	10
Ritchie, Steuart, and Co.	„ 16 „	-	66,634	12	11
Central Bank	„ 25 „	-	50,000	0	0
Commercial Bank	„ 25 „	-	1,10,000	0	0
Do.	„ 26 „	-	1,00,000	0	0
Central Bank	„ 5 June	-	50,000	0	0
Bank of Hindustan	„ 5 „	-	50,000	0	0
Commercial Bank	„ 9 „	-	2,00,000	0	0
National Bank	„ 14 „	-	50,526	5	0
Chartered Bank of I., A., and C.	„ 16 July	-	1,00,000	0	0
			8,38,237	3	9
McIndoe, Rogers, and Co.'s acceptances to Merwanjee N. Patell		-	8,50,000	0	0

	Rs.	
Due 28 February	50,000	
„ 7 March	1,00,000	
„ 14 „	1,00,000	
„ 1 May	3,00,000	
„ 17 „	1,50,000	These will be sent in a few
„ 20 „	1,50,000	days.

Memorandum of shares standing in Sorabjee J. Jejeebhoy's name, handed Bank of Bombay:—
75 Imperial Press and Ginning Company.
12 Bombay and Bengal Steamship Company.
28 Apollo Cotton Press Company.
16 Colaba Press Company, with a power of attorney in our favour.

(Signed) ROBERT H. BAKER,
15 May. Sub-Agent.

LIST of SECURITIES held by Bank of Bombay when credit of 20 lakhs was granted to Asiatic Bank on 22d August 1866.

Description of Security.	Nominal Value.	Amount already received.	Amount still expected.	
	Rs.	Rs.	Rs.	
McIndoe, Rogers, and Co.'s bills, endorsed to Bank of Bombay, and secured by property.	8,50,000	63,852	3,00,000	
Lien over shop business and stock-in-trade of Rogers and Co., manufacturing chemists, in Bombay and Poona.	3,50,000	50,446	25,000	
Pro. Note of Bombay Coast and River Steam Navigation Company.	3,00,000	3,26,366	- - -	Excess arises from interest due.
Pro. Note by Manockjee and Munchenjee Herjee and Co. to Premchund Roychund, endorsed by Asiatic Bank.	2,56,718	208	25,000	
Claim on Rustomjee Jamsetjee Jejeebhoy - - -	2,00,000	24,000	6,000	
Claim on Sorabjee Jamsetjee Jejeebhoy - - -	2,00,000	10,000	2,000	
Claim on Cursetjee Furdoonjee Paruck - - -	8,84,000	55,621	4,420	
Claim on Muggonbhoy Huttising - - -	2,20,000	5,000	10,000	
Pro. Note of Dady Nesserwanjee Dady, and Jejeebhoy Jehangeer.	70,000	1,455	28,000	
Pro. Note of Homejee Cursetjee Dady, and Nusserwanjee Cursetjee.	82,000	4,100	8,200	
Pro. Note of Campbell and Kerr - - - -	25,000	Nil.	Nil.	
*Pro. Notes of Shapoorjee Dhunjeebhoy and Jevajee Monackjee (about).	2,40,000	2,69,550	50,000	Excess arises from interest due.
* (Notes were originally for Rs. 3,00,000.)				
82½ Shares of Apollo Press Company; paid up value at Rs. 2,200 per share.	1,81,500	1,45,425	—	
84 Shares of Iron Ship Company; paid up value at Rs. 3,000 per share.	2,52,000	63,000	—	
127 Shares of the Bank of Bombay, standing in name of Asiatic Bank, stopped and sold.	- - -	66,594	—	
First lien on 25 lakhs of capital still to be called up -	25,00,000	Nil.	Nil.	
Rs.	65,91,218	10,85,617	4,58,620	

Copy of Exhibit marked A 128.

VALUATION of the various STOCKS held by the Bank of Bombay as Security against Advances as on the 31st December 1866.

Name of Stock.	Shares, January 1867.	Paid-up Value per Share.	Present Value per Share.	Total Value.
Asiatic Banking Corporation - - - -	1,540	200		
Apollo Bonded Warehouse Company - - -	65	2,000	1,200	48,000
Alliance Financial Corporation - - - -	4,966	100		
Asiatic Financial Association - - -	130	100		
Agra and Masterman's Bank - - - -	15	250	125	1,870
Alexandra Press Company - - - -	4	3,000	1,500	6,000
Ackwright Cotton Mills - - - -	18	2,000	500	
Asiatic Trading Company - - - -	26	5,000		
Alliance Bank of Bombay - - - -	870	250	10	1,050
Albert Press Company - - - - -	1	1,000	750	750
Apollo Press Company - - - -	135½	2,200	1,600	20,800
Bombay Reclamation Company - - -	261	5,200	3,200	6,71,200
Bombay City Bank - - - - -	152	200		
Bombay Trading and Banking Company - -	15	200	85	1,275
Brokers Loan, Discount, & Banking Company - -	130	100	75	9,750
Bank of Bombay - - - - -	423	1,000	600	2,53,800
Bombay United Spinning, &c. Company - - -	6	1,000	500	3,000
Bombay Landing and Shipping Company - -	16	1,000	1,000	16,000
Bombay Bazaar and Land Company - - -	3	1,000		
Bombay General Credit Financial - - -	100	100	100	10,000
Bengal Credit Mobilier - - - - -	50	100	30	1,500
Bombay and Bengal S. S. Company - - -	163	2,500	1,000	1,63,000
Bombay Royal Spinning Company - - - -	58	2,300	1,000	58,000
Bombay Brick and Tile Company - - -	45	50	35	1,750
Bombay Joint Stock Corporation - - -	27	200		
Bank of India - - - - - - -	361½	250	7	2,528
Bank of China - - - - - -	120	25	20	2,400
Bombay Bonded Warehouse Company - - -	30	2,000	1,000	
Bombay Presidency Bank - - - -	980	150	60	9,000
Bombay Coast and River S. Navigation Company - -	120	2,000	500	16,000
Bank of Guzerat - - - - -	420	100	80	33,600
Bombay Burmah Trading Corporation - - -	11	2,500	1,500	15,000
Brunton's Patent Press Company - - -	10	50		
Bank of Surat - - - - - - -	25	100	80	2,000
Bombay Press Company - - - - -	2	2,000	1,000	2,000
Bombay Grain Company - - - - -		50		
Bombay Contract and Building Company - - -	20	400		
Bank of Madras - - - - - -	8	1,000	1,680	13,440
Central Bank of Western India - - - -	1,221	250	35	42,735

Name of Stock.	Shares, January 1867.	Paid-up Value per Share.	Present Value per Share.	Total Value.
Chartered Bank of India, A., and China	92	200	180	16,560
Commercial Bank Corporation of I. and E.	3,735	250		
Central India Financial Corporation	50	50	8	
Coorla Spinning, &c. Company	47	5,000	1,100	51,700
Cotton Ginning Company	1	450		
Deccan Cotton Cleaning Company	20	3,000		
Elphinstone Land and Press Company	new 115 old 340	250 1,000	630	2,14,200
Elphinstone Financial Association	350	100		
East India Bank	75	250	125	9,375
East India Cotton Agency	400	60		
East India Press Company	8	2,000		
Financial Association of India and China	472	130	50	19,600
Frere Press Company	3	2,000	500	1,500
Framjee Cowasjee Patent Press Company	1	1,500	1,000	
Indian Peninsula London and China Bank	635	200	34	21,590
International Exhibition Company of Bombay	11	400	200	200
Iron Ship Company	105	3,000	1,000	1,05,000
Imperial Banking and Trading Company	130	100		
Kattywar Trading Company	5	5,000		
Katta Khall Tea Company	40	900	250	10,000
London and Bombay Bank	340	20		
Mazagon Land and Reclamation Company	154	4,000	700	1,00,800
Mofussil Press and Ginning Company	20	1,000		
Mofussil Cotton Press Company	1	225		
National Bank of India	44	125	125	5,500
Oriental Shipowning Association	10	2,500	1,000	10,000
Oriental Spinning and Weaving Company	14	2,500	1,000	13,000
Port Canning Land Investment Company	85	1,100	335	3,350
Port Press Company	2	5,000	4,500	9,000
Prince of Wales Company (Press)	2	2,500	1,100	
Royal Bank of India	1,382⅔	200	64	87,424
Rutnagherry Saw Mills	50	250	195	9,750
Royal East India Marine Insurance	20	250	150	3,000
Scott Press Company	1	3,000	300	300
United Victoria and Colaba Reclamation Company	392	6,200	1,210	4,74,320
Union Shipping Company	12	3,500	1,750	21,000
United Mercantile Company	10	100	30	300
Victoria Land and Press Company	1			
Victoria Spinning Company	1	3,000	1,000	1,000
Viegas Patent Slip and Foundry Company	20	500	225	4,500
Victoria Patent Brick Company	20	900		
Wudwan Gin and Press Company	100	300		
Western India Hotel Company	5	25		
			Rupees	25,99,417

True Copy.
J. STUART.
11/9/68.

Copy of Exhibit marked **A 129.**

LETTER from J. STUART, Esq., Secretary and Treasurer, to the Chief Secretary to the Government of Bombay.

(No. 714, dated 1st February 1867).

I have had the honour to submit to the Directors of the Bank your letter No. 68, dated 7th ultimo, with the various enclosures from the Government of India, intimating their willingness to renew, under certain conditions, the present agreement with the Bank for a further period of one year.

2. In reply I am instructed to state, that the Directors accept the terms therein proposed for the renewal of the Government account with the Bank for the period of one year, during which time the working can be fully tested both by the Government and the Bank, and any modifications which may hereafter appear desirable may be taken into consideration.

3. Referring to paragraph 5 of the letter from the Government of India, I am further desired to state that the resolution to reduce the nominal capital of the Bank by one half was duly confirmed at the meeting of shareholders on the 15th ultimo, and that steps are now being taken to carry it out by legislative enactment.

4. The Directors have every desire to afford Government all the information in their power with regard to the actual state of the Bank, but from the fact that a very large proportion of outstanding claims is against estates now being wound up under Trustees, they find it almost impossible to form an absolutely reliable valuation of probable recoveries. They have applied for information to all of these Trustees with the view of preparing a reliable estimate for Government, but have not succeeded in eliciting fresh material upon which to base it.

5. I am desired, however, to point out certain facts bearing upon this important question which Government may consider satisfactory. It may be remembered that in September last a Committee was appointed, partly by the Bombay Government and partly by the Directors, to inquire into the state of the Bank, and they estimated that at that time Rs. 1,24,50,500 of the capital of the Bank was intact. No fresh disasters have since then occurred to increase the doubtful outstandings of the Bank, but the securities, which were valued for the above estimate at a moment of great depression, have now materially increased in value, as may be observed in the following comparative quotations.

	Valuation per Share by Revising Committee in September 1866.	Prices in January 1867.
	Rs.	Rs.
Bombay Reclamation Company	1,500	3,000
Elphinstone Land Company (Old)	600	630
United Victoria and Colaba Company	1,000	1,250
Magazon Reclamation Company	700	800
Bombay and Bengal Steam Shipping Company	465	1,000
Bombay Shipping Company	250	1,200
Royal Bank of India	36	70
Iron Shipping Company	No valuation.	750

Sales of those are now being made with all prudent despatch, and the Directors trust in a very short time to have disposed of the whole.

6. On the other hand, the possible liabilities of the Bank on these securities, estimated in September last at Rs. 30,75,200, are now reduced within very narrow

limits. The largest of these is in connexion with the Commercial Banking Corporation, upon which, according to the report of Mr. Holyland, the Official Liquidator appointed by the Court of Chancery, there will not be any call. But should there unfortunately arise the necessity for a small call, the Directors have been informed by the Liquidators in Bombay that it would in all probability be eventually refunded. Beyond this the only other liability of this nature amounts to Rs. 69,000, should the utmost call be made by the Asiatic Banking Corporation against the shares held by the Bank.

7. The difficulty of revising the last estimate must be apparent to Government when I state that at the time when the Revising Committee's valuation was made no less than 245 accounts, aggregating Rs. 2,16,80,000, were claims against estates being wound up under Trust. The claims of this nature still outstanding amount to Rs. 2,11,30,000, and regarding these the Directors have not yet been able to obtain further reliable information. Earnestly desirous, however, of meeting the desire of Government in this respect, and above all of not misleading them by any mere hasty guesses, the Directors have, with long and laborious care, examined the state of every outstanding debt, and although, for the reasons already given, they submit it is impossible to give any closely reliable estimate, they at least feel able to express their belief, after rigorous valuation, that one half of the Bank's capital remains intact.

8. The Directors earnestly trust that with the former estimate before them,—an estimate, it will be remembered, not formed by the Board themselves, but by an independent Committee partly appointed by the Government of Bombay, and which, while not affected by the addition of further failures, has assumed a more favourable aspect, at least in the improved value of securities and the diminution of liabilities upon them, —Government may consider the present scrupulous statement, which the Directors make with confidence, as sufficient, and may not hesitate to renew their agreement with the Bank at least for the short period proposed, by the end of which time the Directors trust that a detailed and satisfactory statement of the Bank's position may be ready for the inspection of Government.

9. Assuming even the above low estimate, the Directors respectfully draw the attention of Government to the fact that the capital of the Bank would then be double what it was when the agreement of Government with the Bank was first effected, and a reference to the weekly Statement published in the *Government Gazette* will show that the Bank is now in a much stronger position than it was on the 30th of June last. The large amount of deposits in the Bank testifies to the restoration of public confidence as under:—

	30th June 1866. Rs.	January 1867. Rs.
Government Deposits	1,15,76,000	81,60,000
Deposit at Head Office	1,81,89,000	2,55,94,000
Deposit at Branches	37,79,000	31,34,300
Total Deposits	3,35,44,000	3,68,88,000
Cash Balance	1,71,08,200	2,35,54,400

10. The Directors are quite ready to adopt the bye-laws of the Bank of Bengal; in fact, until within the last few years, they were generally the rules in force here.

11. The revised Rules and Regulations determining the powers and responsibility of the Secretary and Treasurer have also the approval of the Directors, except in some minor points of detail. A copy of the Rules to be adopted by the Bank will be prepared and submitted with as little delay as possible.

Copy of Exhibit marked **A 130.**

No. 169553. Bombay, 8th February 1865.

Bank of Bombay.

Pay self or bearer Rupees Nineteen thousand nine hundred and seventy 1.7.
Co.'s Rs. 19970.1.7.

(sd.) W. Bullock.

Copy of Exhibit marked **A 131.**

25th
Bombay 24 Feby. 1865.
25th

Be it remembered that on the 24 day of February One thousand eight hundred and sixty 5 we have deposited with the Bank of Bombay ~~Government Promissory Notes~~ Personal Securities to the amount of Company's Rupees Two Lacs and fifty thousand only as security for the repayment 14 days after date of the sum of Company's Rupees Two Lacs and Fifty thousand this day advanced by them to us with interest thereon at the rate of Fourteen Company's Rupees ~~Sixteen~~ per centum per annum. And we agree that in case default shall be made in payment at the expiration of the said period, interest shall thenceforward be charged at and after the rate of Company's Rupees Twelve per centum per annum; and further that in case such default shall be made it shall be lawful for the Treasurer of the said Bank for the time being, absolutely to sell or dispose of, by public or P.S. private sale, the said ~~Government Promissory Notes~~ or any of them, for the reimbursement to the said Bank as well of the said principal and interest as of all costs and charges to be incurred in consequence of such default, the said Treasurer rendering to us any surplus which may be forthcoming from such sale, and we being bound to make good to the said Bank whatever deficiency there may be below the amount of the said principal sum and interest, as well as of all costs and charges relative thereto.

(Sd.) Forrest L. Brown.
(Sd.) William J. Best.

Copy of Exhibit marked **A 132.**

14th September 1863.

With reference to board resolution of 6th ultimo, that "for the present, and until further orders, any "application for advances on any Bank shares or other "public company, other than Government Banks, be "submitted to the board, and not made by the secre-"tary," I respectfully submit that an early settlement of this question is desirable, as some applications have been made to know whether the Bank would advance on colonial bank shares and railway (guaranteed) stock without the same being transferred into the name of the Bank.

With the sanction of the directors, a resolution somewhat in this form might be passed on Thursday:—

"With reference to board resolution of 6th ultimo, it is now resolved that the secretary may exercise his discretion in making advances to persons of undoubted respectability, on their signing a promissory note for the amount advanced, payable on demand, and depositing with the Bank shares in railway companies guaranteed by Government, or shares in the following institutions: the Oriental Bank; the Chartered Mercantile Bank; the Agra Bank; the Chartered Bank of India, Australia, and China; the Commercial Bank; the Central Bank of Western India, the Comptoir d'Escompte de Paris; such shares not to be transferred into the Bank's name, but to be held simply as *collateral security. The margin to be advanced on such shares to be* also left to the discretion of *the secretary.*

Transcript of day book. J. H. R.

I would suggest that shares in the Bank of Madras (many of which are held here) be added, and with that addition, that the resolution be formally proposed on Thursday; if all the directors agree, the secretary may act on it in anticipation. The depositor of shares, I understand, signs a blank transfer paper, and signs a letter stating that they are deposited as collateral security.

R. M. I.

The mere possession of share certificates without transfer is no security at all, neither is a blank transfer paper until it has been filled up and registered. I think there can be no objection to lending money to "persons of undoubted respectability" on the proposed system, but our security will be in the respectability, and not in the share paper.

G. Steel.

I decidedly protest against advancing on any other bank shares, on the following ground:

No security of registry of shares to our Bank, because the opposite bank has lien on its own share.

Respectability is of no use if pledger is a poor man.

All the banks' shares are now got up, by one artifice or other, in value; fluctuate by 20 per to 25 per cent. in every few weeks.

How the margin is to be settled on these shares; it is utterly impossible to do so under present circumstances, and our Bank lead in a bad example, first of this kind, and introduce into Bombay as yet practice considered so dangerous that none of our joint-stock bank does advance on other Bank shares.

Lastly, such practice will induce greatly more gaming in shares.

I ask my colleagues, for instance, how they keep faith on other Bank shares value when each one increased by 100 and 200 per cent. advanced abruptly.

I would wait and never to have this sort of dangerous business for the present.

COWASJEE JEHANGEER.

If I am not in order, my colleagues must forgive me when I say that if this dangerous practice introduced now, I as proprietor would lay bare fact before my co-proprietors in a general meeting to be called for the purpose.

C. JEHANGEER.

P.S.—We are only following the example set by the Bank of Bengal, but we must not follow them.—Their gross mismanagement of this kind, brought Union Bank of Calcutta to total ruin, whose board was composed of highly, more than highly, respectable gentlemen; two baronets, one gone to jail and other run away to England, and other three ruined for life. Bombay supplied dozen bank now to them, but they dare not get up one of their own.

C. JEHANGEER.

My minute to be re-circulated to those who signed before me.

C. JEHANGEER.

I think it is very difficult to form a perfect opinion on this subject, but in some points of fact I agree with Mr. Cowasjee Jehangeer.

LIMJEE MANOCKJEE.

Sec. XXXII. cl. 1. gives us authority—supposing the banks mentioned are public companies. If they are not public companies, there is no use of further discussion; and of this I presume due inquiry has already been made, and that most of these banks are public companies has been determined. At present we have more money than the manager seems to know what to do with, and it is most desirable an outlet should be secured. I, therefore, see no objection to Mr. Ryland's draft proposition being discussed with view to being passed on Thursday. When the parties are of undoubted respectability and *known means*,—and the Secretary should be held responsible if he advances to those who are otherwise,—the danger in respect to *short periods*, to which I would limit such loans, is very little more than in the case of ordinary discounts. But the Central Bank is not a public company, and I doubt whether the "Comptoir" is. The Commercial Bank has not yet received its charter, I believe, and these three should be excluded.

I do object to large balances being allowed to lie in the Bank perfectly idle, as has been the case all this monsoon: and if the new charter allows us to deal as above disclosed, we should not be doing our duty to the proprietors did we not avail ourselves of the latitude and field allowed.

The Bank loans would be in proportion to the par value of the stock placed with us, not according to the market value, as apparently supposed by Mr. C. Jehangeer.

G. I.
Sept. 14, /63.

MEMORANDUM.

Since writing my minute of this date on Mr. Ryland's draft proposition, I have referred to Section XXXII. of our charter, and do not think the Mercantile, Agra, Oriental, and Chartered Banks can be described as coming within the term "public companies in India." They are public companies in England, with their branches only in India.

I do not, therefore, consider that the Bank can act without further and full information in this respect from its legal advisers; to whom I would suggest this point be submitted.

I request the favour of the secretary circulating this amongst the directors.

GEO. INVERARITY.
14th Sept.

15th Sept. 1863.

Yesterday's minutes are circulated with Mr. Inverarity's second minute, and the solicitor's letters of 12th and 18th ultimo on the subject for reference.

J. H. R.

I still think the business, as conducted by the Bank of Bengal, quite safe, and in the present state of the Bank's resources desirable; of course I would act strictly in accordance with the advice of our legal advisers.

R. MCILWRAITH.

Another argument for to-morrow meeting consideration, I submit, is, the shares are not easily realizable, and consequently against sound banking principle.

C. JEHANGEER.

S. D. Birch, Esq.
Hon. A. D. Robertson.
George Inverarity, Esq.
George Foggo, Esq.
Hon. Michael H. Scott.
Gavin Steel, Esq.
R. McIlwraith, Esq.
Cowasjee Jehangeer, Esq.
Limjee Manockjee, Esq., sen.

Copy of Exhibit marked **A 133.**

September 17, 1863.

Present:
Gavin Steel, Esq., V.P.
Cowasjee Jehangeer, Esq.
Limjee Manockjee, Esq.
George Inverarity, Esq.
Robert McIlwraith, Esq.

With reference to board resolution of 6th ult. "That for the present, and until further orders, any application for advances on any bank shares or other public companies other than Government Banks be submitted to the board, and not made by the secretary," and to the Bank's solicitor's letters of the 12th and 18th ult, submitted at board meetings of 13th and 20th idem, a minute was circulated on 15th instant, inviting re-consideration of this subject. Resolved, that the secretary be authorized to make advances on stock or shares in Indian railway companies guaranteed by Government, without such stock or shares being transferred into the name of the Bank, on the borrower signing a form of agreement to be prepared by the Bank's solicitors.

Copy of Extract marked **A. 134.**

My dear Mr. Robertson, 1st August 1864.

I saw the two people signed in my presence. Back Bay shares will be delivered to you, when he will receive it. I think it is all right, so please credit the money to Kursondass's account, as he wants to pay for the shares he purchased.

Yours sincerely,
PREMCHUND ROYCHUND.

Endorsement No. 1.

Rate 13 /' from up to 1st July 1865.

P. R.

Endorsement No. 2.

I consider the both men quite good for the amount they asked.

Yours sincerely,
PREMCHUND R.

Endorsement No. 3.

Open credit at *13 per cent.* from this date until 1st July 1865.

D. R.

31 August 1864.

Copy of Exhibit marked **A 135.**

My dear Robertson, 26 Sept. 1864.

I herewith send you a bill for 5 lacs for Carsondass, from 1st July, at 13 /.. It is quite safe.

Yours sincerely,
PREMCHUND R.

Copy of Exhibit marked **A 136.**

Memorandum.

Wanted a personal credit for Rs. 50,000, at 3 per cent., for Burjorjee Sorabjee Lywalla. Last one for Rs. 40,000 paid off on 6th December 1864.

J. M. De Ga,
Bank of Bombay, 18/1/1865. Pro Accountant.

Endorsement.—Quite safe.—P. R.

Copy of Exhibit marked **A 137.**

Bank of Bombay,
My dear Hannay, Bombay, 7th Feb. 1865.

What do you think of the enclosed. I question if we would be much the better of the Medico's name. I suppose Campbell has some money.

Yours sincerely,
D. Robertson.

Endorsement.

Dr. Smith has a little money. Give them Rs. 50,000 for a short period.

R. H.

Copy of Exhibit marked **A 138.**

My dear Robertson, 25th June 1865.

I think you are right to give them the money.

I would discount Wesché's bill, but as he is a decided speculator, it should be on the understanding that there is to be no renewal.

I am sorry to see that old Read is as great a donkey as ever. Why make use of the poor old man's name?

Yours sincerely,
R. Hannay.

Copy of Exhibit marked **A 139.**

Bombay,
Dear Sir, 2d March 1865.

As we are anxious to have a loan for 2 lacs of rupees from your bank for 3 months on promissory note, we shall thank you to give us the accommodation.

We remain,
Dear Sir,
James Blair, Esq. Yours truly,
Ghellabhoy Puddumsey & Co.

Endorsement.

100,000 due 31 May.
500,000 due 27 April, with various parties.
He is quite safe for 2 lacs, more if you can do it.

P. R.

Copy of Exhibit marked **A 140.**

My dear Mr. Robertson, 2d February 1865.

Will you allow me to introduce to you Mr. Edward Howard (Director of Public Instruction). He wishes for the loan of a lac, if he can be accommodated. I have no hesitation in giving you a recommendation.

Yours truly,
Geo. Taylor.

Copy of Exhibit marked **A 141.**

My dear Hannay, 2d February 1865.

What do you think of the enclosed? I know nothing whatever of Mr. Howard's means.

Yours sincerely,
D. Robertson.

Howard called here with the note.

Endorsement.

Say Rs. 50,000.

Copy of Exhibit marked **A 142.**

Dear Sir, 26th January 1865.

I require one lac of rupees on my personal security, and shall feel obliged by your letting me know at what rate of interest for 1, 2, and 3 months the bank will grant me the loan.

I remain,
Yours faithfully,
James Blair, Esq., Jejeebhoy Dhunjeebhoy.
Secretary to the Bank of Bombay. Care of Sir J. J., Sons and Co.

Endorsement.

Give him half a lac either for one or two months—not longer.

P. R.

Copy of Exhibit marked **A 143.**

Extract from the Current Cash Account Ledger of the Bank of Bombay.

R. L. Tracey.

		Rs.	A.	P.	Rs.	A.	P.		Rs.	A.	P.		Rs.
1864. Dec. 8	Paid 1,42,400	5,00,000	–	–	—	–	–	Dr.	5,00,000	–	–	67	3,35,00,000
1865. Feb. 13	Received	—	–	–	4,77,000	–	–		23,000	–	–	3	69,000
16	To Intst. @ 10%	9,324	11	6	—	–	–		32,324	11	6	—	—
	Received	—	–	–	32,224	11	6		100	–	–	—	—
17	Ditto	—	–	–	100	–	–			„		—	—
		5,09,324	11	6	5,09,324	11	6					70	3,35,69,000

Copy of Exhibit marked **A 144.**

For a Copy of this Exhibit, vide Minutes of Evidence, vol. ii., p. 230.

Copy of Exhibit marked **A 145.**

Memorandum.

For the accommodation either of Messrs. Ritchie, Stewart, & Co., or their broker, Mr. Premchund Roychund, applications were made to the Bank for temporary advances for a fortnight or so, on the promissory note of Ritchie, Stewart, & Co. to Premchund.

Mr. Tracey being averse to the Firm's promissory notes being held by the Bank and passing through its books, asked as a favour that such advances should be granted on Premchund's name, he (Mr. Tracey) giving a letter of guarantee, which I would keep privately in my bill case. I acceded to his request, as both Ritchie, Stewart, & Co. and Premchund were then considered undoubted, (Premchund without any security was often allowed to overdraw for a much larger amount), and several advances of this nature were made to Premchund, and all except the one in question regularly paid off. I always considered, although the letters of guarantee were not signed "Ritchie, Stewart, & Co.," that the Bank held the guarantee of the Firm, not simply that of Mr. Tracey, which I would not expect him to give, and which, if offered, I should most certainly not have accepted.

I shall be very much astonished if Mr. Tracey will now come forward and say that for all the advances granted to Premchund in this way the Bank only had his own personal guarantee. As further proof that Mr. Tracey meant and understood he had given the Firm's guarantee for the advance now outstanding, I

would mention that when on my way to Mr. Lidderdale's bungalow to meet the Directors on the morning it was decided to grant Premchund the loan of 25 lacs, I asked Mr. Tracey, in Premchund's presence, if he did not wish the 3 lacs (the amount guaranteed) to be paid out of the 25 lacs. He replied, "No, as he hoped to be in funds within a fortnight," Premchund having assigned to them (the Firm) a sum of about 18 lacs, due to him by cotton dealers in Dhollera. I believe this money, nor any part of it, did not come to hand. Mr. Tracey trusted to the 18 lacs, and I, thinking the Bank had the guarantee of the Firm, did not press for the money then.

When I was informed by Mr. Tracey that he was going home, I suggested to him that he should give a formal letter of guarantee by the Firm, and take up the informal note I held signed by himself. I did not get any definite reply then, and on the day before the mail left I wrote him again, asking for the formal guarantee of the Firm, but got no reply. I went on board the mail steamer next morning, when he told me that Mr. Scott knew all the circumstances, and that he had left with him two letters for me. I left the steamer, satisfied that the letter I wanted would be sent me in course of that day. The letters came in, but neither referred to the matter in question, and next day I learned further that Mr. Scott knew nothing whatever of the guarantee.

I wrote to Mr. Tracey shortly afterwards, but my letter still remains unanswered. Mr. Scott also wrote, and like myself he is without an answer.

Mr. Scott, before he left for England, assured me that he would do what he could to get the matter settled whenever he reached home and saw Mr. Tracey.

12 July 1867. D. R.

Copy of Exhibit marked **A 146.**

Draft of letter from the officiating Secretary and Treasurer, Bank of Bombay, to the Secretary to Government.

Financial Department, Bombay,
SIR, 8th November 1865.

I have the honour to acknowledge your endorsement No. 922 of 26th October, enclosing copy of a communication from Sir Charles Wood. I am requested by the Directors to say in reply, that it appears to them the Secretary of State has either been much misinformed relative to the transactions of the Bank of Bombay, or else that he has quite misunderstood the information supplied.

The Bank of Bombay has never advanced money directly on shares, but during the trying crisis that occurred in the early part of this year the times were so exceptional that the Directors considered it prudent, seeing so much money was lent on personal security only, to obtain as much collateral security as possible when granting loans. This was done, and it enabled the bank to assist many of their constituents who possessed shares in sound undertakings and of undoubted value, but required money.

Upon calmly looking at the circumstances of the past, the Directors are of opinion that had any other course been adopted the result would have been most disastrous, and had the Government Directors not given their consent to the course commented on, they would have been responsible for ruin probably more general and wide spread than was ever before seen in any city or commercial community.

With reference to alteration of charter, this is a matter over which the Directors have no control; but, seeing that the clause referred to has never been taken advantage of, the Directors do not see that any change is either necessary or desirable.

I have the honour to be,

Copy of Exhibit marked **A 147.**

My dear Robertson,

The policy of the Bank at present is to support its constituents, I mean individuals. I would lend to no one on shares for three months, and I would feel very much inclined to let Financials lean upon themselves, and, where necessary, go to the wall.

I would not feel inclined to support the Union.

Yours sincerely,
22/4/65. R. HANNAY.

Copy of Exhibit marked **A 148.**

My dear Robertson,

If money continues to increase upon us, we should do something with it, else we won't be able to pay anything like a dividend at the end of the year. Now were men like Candass Narrondass or Sir Jamsetjee in former times wanting a loan of five lacs, we would have given it them on personal security and been right. Should these men want such a loan this month, and agree to deposit with you, say Back Bay shares for the equivalent at about par, I would grant the loan for three months at once. My opinion is that we should keep as much of our money employed as we can, and taking our present cash and liabilities as a standard, I think we have no need for more than 120 lacs in cash.

I suppose the Poona Agent will give me what money I require.

Yours sincerely,
13 August 1865. R. HANNAY.

Please send me one or two copies of the Report when ready.

Copy of the Exhibit marked **A 149.**

Riverside, Kirkee,
My dear Robertson, 4th September 1865.

Thanks for your note of 2nd, enclosing one from Mr. Lushington. I wish we had been of one opinion, but this cannot be helped; if the matter was fairly decided at a meeting, and those in favour of prosecution do not wish the matter to be re-opened, then I have nothing more to say. No decision of this kind was ever come to at any meeting where I was present, and I fail to see what advantage can be gained by proceeding against these men. I hold that the Bank, as I said before, have nothing to do with what Ballard calls the commercial immorality. The Bank advanced the money, and so condoned the offence. My reason for asking to see the circular was because the decision, in my opinion, in a measure reversed the policy of the Bank. I must maintain that the duty of Directors is, as far as lies in their power, to look after the interests of shareholders, and not to set themselves up as public censors at the expense of the proprietors. The men have been severely punished by losing all they had in the world, and Diver is not likely to have much credit in India again.

It would never do to send all circulars to absent Directors, therefore there is nothing to be said on this head, except that occasionally in August and September in each year it is expedient to break the rule, and to give the majority an opportunity of stating their views on important questions.

Yours sincerely,
R. HANNAY.

P.S.—You are now so full of money that, in my opinion, you ought to lend as much as you can to safe applicants.

R. H.

Copy of Exhibit marked **A 150.**

27th October 1865.

Herewith circulated letter from the Under Secretary to Government, Financial Department, forwarding copy of a despatch from H. M. Principal Secretary of State for India.

D. R.

R. Hannay, Esqr.
J. L. Lushington, Esq.
F. S. Chapman, Esqr.
Col. Ballard, C.B., ^{sd}/H.B.
R. L. Tracey, Esqr.
Alex^{r}. Brown, Esqr., ^{sd}/A.B.
F. F. Lidderdale, Esqr.
Honble. R. J. Jejeebhoy, ^{sd}/R.J.J.
Cowasjee Manockjee, Esqr., ^{sd}/C.M.

Endorsement.

We must consider this most tyrannical communication on Thursday next.

(Sd.) R. H.
J. L. L.
F. F. L.
C. M.

To the Secretary and Treasurer,
Bank of Bombay.

No. 922 of 1865,
Financial Department,
Bombay Castle,
26th October, 1865.

Sir,

I am directed by his Excellency the Governor in Council to forward, for the information of the Directors of the Bank of Bombay, the accompanying copy of a Despatch from Her Majesty's Principal Secretary of State for India, No. 71, dated the 8th ultimo, regarding the advances made by the Bank on shares of certain Joint Stock Companies not guaranteed by Government, and to inquire whether the Directors have any objection to the change in the charter of the Bombay Bank proposed by Sir C. Wood.

I have the honour to be,
Sir,
Your most obedient servant,
(Signed) H. BIRDWOOD,
Under Secretary to Government.

Financial,
No. 71.

India Office, London.
8th September 1865.

To His Excellency the Honourable the Governor in Council, Bombay.

Sir,

Para. 1. I have considered in Council your Financial Letter, dated the 8th July last, No. 12, which forwarded, in reply to the inquiry contained in my Financial Despatch of the 2d June last, information regarding the advances made by the Bank of Bombay on shares of certain Joint Stock Companies not guaranteed by Government.

2. From the explanation of the Government Directors of the Bank it appears that on the 12th April last, when the cash and currency notes at the head office and branches amounted to rupees 2,91,09,603, and "there "was much demand for what then appeared to be only "temporary accommodation," the directors authorized the Secretary of the Bank, at his discretion, to make advances on shares of the under-mentioned companies at the rates specified.

	Paid up.	Market Rate, 12th April.	Authorized to advance on each Share.
	Rs.	Rs.	Rs.
Bank of Bengal - - -	8,000	16,000 premium - -	6,500.
„ Madras - - - -	1,000	123 per cent. premium -	75 per cent. premium.
Agra Bank - - - -	500	160 „ „ -	100 „ „
Asiatic Bank - - - -	200	105 „ „ -	75 „ „
Oriental Bank Corporation - -	250	170 „ „ -	125 „ „
Commercial Bank Company - -	250	75 „ „ -	50 „ „
Bombay Reclamation Company -	5,000	30,000 „ „ -	20,000 premium.
Elphinstone Land Company - -	1,000	1,450 „ „ -	1,000 „

3. A total sum of rupees 41,70,800 was accordingly advanced on the security of the following shares:—

	Value at Par.
39 Back Bay shares - -	Rs. 1,95,000
936 Elphinstone Land shares	9,36,000
905 Asiatic Bank shares -	2,26,550
3,580 Commercial Bank shares	8,95,000
	Rupees 22,52,550

The amount advanced on those shares was therefore nearly double the value of the shares at par, and at the date of your Despatch the Back Bay shares were at a premium of only Rs. 7,000, the Elphinstone Land Company of Rupees 700, and the Asiatic Bank of Rs. 5 to Rs. 10 per cent. premium, while the Commercial Bank shares were at 5 per cent. discount.

4. I am sorry to learn that the proceedings of the bank were concurred in by Messrs. Chapman and Lushington the Government Directors. In regard to their conduct you observe, that they only joined the bank direction on the 8th March 1865, that they were naturally at first obliged to rely on the judgment and experience of their elected colleagues, but that they took an early opportunity of giving the weight of their influence to support the more prudent proceedings which have lately characterized the management of the bank. This explanation in some degree accounts for the apparent want of caution on the part of the Government Directors.

5. The mere statement of these proceedings of the bank is sufficient to show how unjustifiable they were, and you very properly remark that the expectation expressed, that the bank will not ultimately lose much on the advances in question, even if it should be realized, does not in the least remove the objections to the course which was pursued.

6. It is quite clear that if any connexion is to be maintained in future between the Government and the Bank of Bombay, effective measures must be taken for guarding against any similar proceedings, and against any call being hereafter made for aid from Government.

7. Since the transfer of the Government Balances at Bombay to the custody of the bank, the only monies at the command of the Government are the balances at the other Treasuries in your Presidency; and they could hardly be of sufficient amount, or be so readily available, as to be adequate for giving assistance to the bank. It follows, therefore, that the only direct and immediate aid which your Government could give would be by applying for such purpose part of the currency reserve, and it was from this source that you proposed to the Government of India to render aid to the bank.

8. The objections to using any portion of that reserve for any such purpose can scarcely be exaggerated. It would, in the first place, be illegal; and, even if this were not the case, the same state of things which led to the pressure on the bank might not improbably lead to a demand upon the Currency Department for coin for notes, and the means of meeting that demand would have been taken away by the advances to the bank.

9. It is impossible to sanction for the future any proceeding which might lead to such a result, and it is necessary therefore to consider the best means of guarding against the recurrence of a similar emergency.

10. To some extent this object may be effected by such an alteration of the charter of the Bank of Bombay as will preclude their making advances on the security of public companies not guaranteed by Government. The Banks of Bengal and Madras are at present precluded from making such advances, and that power ought not to have been conceded in the new charter of the Bank of Bombay. You will therefore take measures for making the necessary change in the powers of the bank.

11. But, as mismanagement may take place in other modes, the best security, after all, must be in the discretion of the Directors of the Bank, and they must be made clearly to understand that they are not in future to reckon on any extraordinary assistance or support from the Government. It will be necessary, therefore, to impress on them generally the necessity of prudence in the management of the concerns of the bank, in which the Government is interested to so large an extent. But, above all, it should be the care of the Government Directors to watch very closely the proceedings of the bank, in order, so far as their influence extends, to prevent any repetition of imprudent management; and any disposition on the part of their colleagues to depart from sound principles should be forthwith communicated to you, in order that you may take such measures as may seem to you to be necessary in reference thereto.

12. It is obviously of the greatest importance to have Government Directors of sound judgment and with a general acquaintance with matters of this kind; and as you state that the existing restriction as to the Government Directors holding shares in the bank materially narrows your field of selection, I shall not object to a change being made in the regulation in this respect, so as to allow of their holding shares to a limited amount.

The same rule must of course be made applicable to Government Directors of the Banks of Bengal and Madras, and the amount of shares to be allowed to be held must be determined in correspondence with the Government of India to whom I shall make a communication on the subject.

I have the honour to be,
(Signed) C. Wood.

(True Copy.)
(Signed) H. Birdwood,
Under Secretary to Government.

Copy of Exhibit marked **A 151.**

1841.
May 28. *Dossabhoy Merwanjee.* By Mr. Brownrigg, "had better remain off the private list."

1862.
Aug. 18. Cowasjee Jehanger says, "Owing to some "cotton purchases has become very weak."
March 26. Hormusjee thinks him good for Rs. 1,00,000.
Nov. 3. *Dossabhoy Merwanjee Wadia.* Premchund considers good for Rs. 40,000.

Copy of Exhibit marked **A 152.**

For Discount.

Dossabhoy Merwanjee Wadia, and Co.
American Merchant.

For Rs. 1,00,000 @ 3 ms/dt.
Nothing under discount.
D. R.

Endorsement.
Good, P. R.

Copy of Exhibit marked **A 153.**

Matheran,
My dear Sir Bartle Frere, 10th May, 1865.

Your informant must, I think, be in error. To the best of my belief up to last Thursday the bank had hardly advanced at all on Back Bays, and in the few instances where they had done so the shares had been taken as collateral security. The other day Lushington and I spent some time in looking over the books, and have directed a statement to be prepared showing the number of individuals, or firms, to whom advances above one lac have been made, and the security by which they are covered. This statement will be ready by to-morrow, and I shall then be able to send your Excellency precise figures as regards Back Bays.

There can be no doubt that advances were, in the days of prosperity, very recklessly made on personal security. It would be suicidal to press for payment now, and the policy of the bank for some time past has been to decline all fresh applications, and to renew in cases where it would be hopeless to expect immediate payment.

Believe me,
Yours very respectfully and sincerely,
F. S. Chapman.

Copy of Exhibit marked **A 154.**

Bombay,
My dear Sir Bartle Frere, 11th May 1865.

In all Rs 6,94,750 has been advanced on 35 Back Bays, or on an average rather less than Rs 20,000 per share. The following will show how much has in all has been advanced on shares:

Back Bays 35 shares - -	Rs 6,94,750
Elphinstone Land 324 do. -	Rs 6,40,000
Asiatic Bank 890 do. - -	Rs 3,04,250
Commercial do. 3580 do. -	Rs 12,99,800

The above sums represent the total amount that has been advanced *solely* on shares. The bank holds a number of Back Bay and other shares which they have thought it prudent to take into safe custody from men to whom large loans have been made on *personal security*. Pray pardon this hurried note, and believe me,

Very respectfully and sincerely,
F. S. Chapman.

Copy of Exhibit marked **A 155.**

Bank of Bombay,
My dear Mr. Chapman, 11th May 1865.

Since the resolution was passed to advance on shares, the following shows how much has been given out in that way:

Back Bays - -	35 shares	Rs 6,94,750
Elphinstone Land Company - -	324 ,,	Rs 6,40,000
Asiatic Bank -	890 ,,	Rs 3,04,250
Commercial Bank -	3,580 ,,	Rs 12,99,800

Besides the above, we hold a considerable number of Back Bay shares, which we took into safe custody from those names who have long loans from the bank on *personal security*, men such as B. H. Cama, Cursetjee Furdoonjee, and Kursondass Madhowdass. These loans were not nominally granted on shares, but it was thought well to have some security collaterally independent of their personal standing. Several of these large loans Premchund tells me will be paid up very soon.

Yours sincerely,
D. Robertson.

Copy of Exhibit marked **A 156.**

Bombay,
My dear Sir Bartle Frere, 8th June 1865.

I have just returned from the bank meeting. From what I can learn matters are looking as black as they well can.

The first thing that came before our notice was some correspondence that took place yesterday between the manager of the Mercantile Bank and our secretary. It resulted in the former sending a cheque for the whole of the deposits in our hands amounting to 25 lacs. The affair originated in silly pique, and, on two of the directors calling this morning on the manager, was satisfactorily settled.

I have instanced this fact to show the great jeopardy in which the bank is apparently placed. There is such an entire absence of all confidence that a run may take place any day.

If this should extend to the large depositors (the Commercial Bank, for example, has forty lacs in our hands) we should have to suspend payment. There is, I hope, little chance of the contingency I have alluded to ever taking place, but there is no use disguising the fact that it is on the cards. At all events there can be no harm in anticipating and preparing for the worst. To this end I have asked Mr. Hannay and the other directors to prepare and submit any feasible scheme that may occur to them by which Government could assist them if they were placed in the straits I have referred to. When they have done so I will lose no time in laying it before your Excellency. I hope I shan't be considered an alarmist for having written in this style. On paper we are in a very satisfactory state, but the list of overdue bills is not a pleasant sight. The list too of debtors where bills have still to run presents a very different aspect to what it would have done six months ago. Men who were then supposed to be good for crores are now either insolvent or else on the verge of bankruptcy. In the days of prosperity our management was characterized by what now appears to have been the most reckless conduct. It is a satisfaction to me personally to feel that the mischief was done before I had any connection with the bank. I don't for a moment mean to imply that one would have acted otherwise than the former directors did. It is easy enough to be wise after the event.

Yours very respectfully and sincerely,
F. S. Chapman.

Copy of Exhibit marked **A 157.**

Bombay,
My dear Sir Bartle Frere, 9th June 1865.

I enclose a note just received from Mr. Hannay, and would suggest the advisability of a telegram being despatched to the Governor General, asking him to depute to your Excellency the authority referred to to the extent of a crore and a half.

I was at the bank this morning with Lushington, and we both urged on the secretary the necessity of taking legal proceedings against the parties whose bills are overdue. It is difficult to get the lawyers to act, as they are all overworked winding up bankrupts' estates.

The actual crisis is expected early in July.

I propose remaining here until I receive your Excellency's instructions as to whether you wish me to

proceed to Poona. I would beg to suggest that Colonel Ballard be appointed a Government director in lieu of Mr. Mangles, whose place has not yet been filled up.

Yours very respectfully and sincerely,
F. S. CHAPMAN.

Copy of Exhibit marked **A 158.**

My dear Chapman, 9th June 1865.

I have seen Kelly who has gone carefully over the different acts. He says that no power to make use of currency reserve in the hands of mintmasters is left with local governments. Clause X. of Act XIX. (1861), however, gives power to the Governor General and Secretary of State to use this money to the extent of 4 crores.

Matters here are so serious that we might be in difficulties any day, and it is time to think how best to face and meet them. I firmly believe that if the Governor had power in case of need to lend the bank, say, a crore to a crore and a half, that hardly any of this money would be needed. As soon as it was known that there was assistance at hand in case of need, the necessity for it would in all probability die away.

Yours sincerely,
R. HANNAY.

Copy of Exhibit marked **A 159.**

Poona,
My dear Sir Bartle Frere, 13th June 1865.

I have just arrived (11 p.m.) having made up my mind quite suddenly this afternoon to run up and personally communicate to your Excellency the state of money affairs in Bombay.

I hope to do myself the pleasure of coming over to breakfast to-morrow.

Yours very respectfully and sincerely,
F. S. CHAPMAN.

Copy of Exhibit marked **A 160.**

My dear Sir Bartle Frere, 14th June 1865.

I have just received the enclosed notes. They depict very forcibly the critical state of affairs. Ellis has written to-day; he will be up here by the 7.30 train. I have kept copies of the enclosed to show him.

Yours very respectfully and sincerely,
F. S. CHAPMAN.

P.S.—Your Excellency will observe that the letters are dated yesterday.

My dear Chapman,

Any word from his Excellency. Cash is running away like smoke; we will not be able to go on much longer without assistance I fear; at this rate Monday might bring us to a stop.

Yours sincerely,
R. HANNAY.

F. Chapman, Esq.,
Chief Secretary to Government.

My dear Chapman, Bombay, 13th June 1865.

Things do not look pleasant to-day. Balance is, as you saw, down last night to 98 lacs, exactly one-third of liabilities. To-day Mercantile draws 5 lacs, and there are hosts of other cheques coming in. I may mention that for the requirements of next mail much cash will also be withdrawn. Natives seem determined not to pay, so that the banks have nothing coming in, and unless we get assistance (say, power to pay away one crore and a half of currency notes from Treasury balance,) I fear we shall have to close the doors on Monday.

As I said before (and all with whom I have spoken agree with me), did the public know that the bank would be supported, I believe the natives would take courage and again pay in money. We have, however, now had an opportunity of seeing them in their true colors, and very nasty ones they are. They have ruined their credit for ever.

Yours sincerely,
R. HANNAY.

F. Chapman, Esq.,
Chief Secretary to Government.

Copy of Exhibit marked **A 161.**

My dear Chapman, 13th June 1865.

The enclosed from Grant will in some measure tend to show you what outside views are. The remark about the conduct of Government you may pass over; this refers to that unfortunate 18 lacs which Lushington has had to kick backward and foward. To-night people seem very anxious indeed, and declare on all hands that unless Government aid us it will be a case of general ruin.

This, as you are aware, has long been my opinion, and I think that His Excellency would be more than justified by the opinion of the world were he to accept the responsibility of permitting us to use part of the currency balance. If we have to stop the ruin would not be confined to Bombay, it is now the pivot of exchange for the whole east, and the havoc would be terrible.

If anything is decided upon, kindly telegraph, as people are terribly anxious.

Yours sincerely,
R. HANNAY.

Copy of Exhibit marked **A 162.**

My dear Hannay, 13th June 1865.

I am sorry to see the Bank of Bombay statement for the past week, which looks as if things were going from bad to worse. The conduct of the Government seems strange, and is making people anxious.

Several people have been to me asking whether it is possible to induce the Government to increase the issue of notes for a few months to some extent over and above their usual proportion to the coin and securities on hand, so as to increase the circulation temporarily and give accommodation, and it is said the bank directors have taken some steps in this direction. I don't know whether this may be true or not; there are a great many difficulties connected with such a course; but it really seems as if some such measure is imperative to save us all from ruin. What do you think of it yourself? Of course any request for such relief ought to be made by a large body representing the whole monetary interests of the place in order to have weight with the Supreme Government. Even then I doubt if the Simla folks would admit the gravity of the crisis, or the necessity for the step.

Yours sincerely,
ANDREW GRANT.

Copy of Exhibit marked **A 163.**

My dear Sir Bartle Frere, 17th June 1865.

Am delighted at the news Ellis has just brought.

I have just telegraphed to Hannay to the following effect:

"Excellent news from Simla.

"Full authority given to this Government."

Enclosed is a note from Hannay. I propose going down to Bombay to-day.

Yours very respectfully and sincerely,
F. S. CHAPMAN.

Copy of Exhibit marked **A 164.**

My dear Chapman, Bombay, 16th June 1865.

The Governor takes a correct view of the case; if the Governor General did not uphold his action, the effect would assuredly be ten times worse than if the remedy had not been tried. I was in hopes, however, that under present pressing need we might have felt assured of his sanction. I hope reply may be favourable, and that we may have it speedily. It would be just like an open loan, the bank would only draw for what was really necessary.

I got your telegram at 11 p.m., and this morning at 6 a.m. sent you one as per copy enclosed.

With reference to Ballard, you are aware that 23 lacs of bar gold is counted as cash as usual; this in ordinary times being readily convertible, but at present can only be sold in small lots. Yesterday Ballard declined to grant us notes for it (would that we had more gold and fewer past due bills); now these are not times for too strict readings of acts. I hope therefore His Excellency will authorize him to advance notes on it. He can sell at leisure on account of the bank. Surely this is not asking very much.

The next part of my telegram we could act on at once, by instructing agents to pay money into local

treasuries, in consideration of receiving collector's telegrams, the Mint to give us credit at once, the Bank guaranteeing any expenses that may be incurred.

With exception of Oriential and Asiatic, local banks (old) have behaved very badly. The Mercantile should not have forgotten that the Bank of Bombay saved it from closing its doors during a sickness in its infancy.

No money is coming in, nor will it come till after 1st July, I fear.

Yours sincerely,
R. HANNAY.

P.S. 2.30.—Our best thanks to Sir Bartle for his prompt action re Ballard; your telegram was a great relief; there was a considerable withdrawal in the morning, but few cheques have been presented these last two hours.

If it was known that Government would support us in case of need I daresay we would have a crore paid in within ten days. We have asked Bank of Bengal to give us a credit to extent of 50 lacs.

R. H.

Copy of Telegram.

Telegram received at 11 A.M. Number one, sixty-eight. No. 2., about two hundred and fifty. Twelve will come from Government to-day.

Request Ballard to exchange notes for twenty-three lacs bar gold. If money be paid into local treasuries by branches can Ballard on receipt of collector's telegram give notes here, 6 A.M. 16th?

Copy of Exhibit marked **A 165.**

Bombay,
My dear Sir Bartle Frere, 20th June 1865.

A very marked amount of confidence was established directly it became known that Government were prepared to assist the bank in case of need.

From what I can learn there is little chance of aid being now required. I have taken care to tell the directors very plainly that Government would not consider themselves justified in adopting so extreme a measure unless the bank was actually in articulo, and that therefore they should not relax their efforts to help themselves. They are in treaty for an open loan with the Bank of Bengal.

The Mercantile and Agra treated us shamefully, and I hope you approve of our proceedings in returning them the wretched pittance they had left in our hands, and declining all further dealings with them.

I communicated Sir C. Wood's objections regarding the advances on shares to the directors. I fear the measure cannot be justified. In palliation of it it can only be said that the shares were taken in a great measure as collateral security; that the amount actually advanced was comparatively small; that the bank had at the time upwards of two crores lying idle; and that the demand for accommodation on what then appeared excellent security was very urgent. The bank will gladly assimilate their charter to that of Bengal and Madras.

Mangles never formally resigned. I take blame to myself for not having brought to your Excellency's notice the circumstance of the vacancy having occurred. If I remember right I did so verbally some time ago. Ballard is, I think, on the whole the best person to appoint. Marriott is so much away from Bombay.

Our cash balance last evening was 97 lacs, and yesterday the receipts were 3 lacs in excess of the withdrawals. Our liabilities payable *on demand* amount to 2 crores and some 30 lacs, and unfixed deposits to about half a crore.

The following is the latest state of the Currency Account:

Notes in circulation				4,00,00,000	0 0
Deduct—					
Government Securities	1,86,78,199	1	3		
Sovereigns	19,00,000	0	0		
Deposited in collrs. treasuries	30,00,000	0	0		
Bullion could be at once coined	10,00,000	0	0		
				2,45,98,199	1 3
Cash available				1,54,01,800	14 9

I have telegraphed to Madras, and requested them to send what money they can spare by the steamer of the 24th.

Lushington sent up to Poona a statement of the probable balances in the different treasuries at the end of June and July respectively, after all expenses have been provided for. The directors ought (and I believe do) to feel very grateful to your Excellency for the prompt and decisive action that has been adopted. There is no chance, I fear, of Lushington and myself getting the requisite information to enable us to submit an official report before the mail.

Believe me
Yours very respectfully and sincerely,
F. S. CHAPMAN.

Copy of Exhibit marked **A 166.**

My dear Sir Bartle Frere, 21st June 1865.

My letter of yesterday will have informed your Excellency that I lost no time in disabusing the directors of the idea that they need take no steps to help themselves. The scheme started by Mr. Brice was, I am told, quite an impracticable one. The Bank of Bengal have promised to accommodate us to the extent of twenty lacs on the ordinary terms, but state that we must furnish special security if we require more. I don't know whether we shall accept their liberal offer on these terms. Madras has promised to send the large sum of ten lacs by the steamer of the 24th.

I am very vexed about that telegram; but doubt whether the public received their first intimation from it. It is commonly asserted that the fact of the Gomment of India having vested this Government with discretionary power was known in the bazaar on the Friday night, and that the intelligence came from Calcutta.

I have just returned from the bank. We have decided upon consulting the solicitor regarding that utterly false statement in to-day's Gazette. Under any circumstances it seems to me most desirable that it should be publicly contradicted. Goodness knows our sins have been heavy enough to merit any amount of abuse, but no good can possibly result from these malicious attacks. There is a great deal of personal and party feeling at the bottom of these attacks. The impression is that Hannay and Tracey are tools in Premchund's hands. My own conviction is that these two men are thoroughly honest and upright. As far as I can learn, they have not directly or indirectly received the slightest assistance from the bank. On the contrary, the Asiatic is one of our best supporters.

I enclose an amended statement of the probable cash balances at the end of the current and of the next month.

Kindly pardon this hurried note. It is just post time. I hope to be in Poona to-morrow evening.

Yours very respectfully and sincerely,
F. S. CHAPMAN.

Copy of Exhibit marked **A 167.**

My dear Sir Bartle Frere, 21st June 1865.

After I wrote this morning Lushington assured me that the contents of the telegram were not divulged by any of the directors. As I mentioned in my letter, the news is said to have been known in the bazaar the previous evening. It was certainly known long before the telegram was opened.

Lushington hopes that the new director will be a resident of Bombay. Foggo's appointment would be a very distasteful one to the other directors, but perhaps their feelings are not entitled to much consideration.

On the whole I am inclined to think Ballard would be the best man, and in this opinion Lushington concurs.

Believe me,
Yours very respectfully and sincerely,
F. S. CHAPMAN.

Copy of Exhibit marked **A 168.**

EXTRACT from Draft Copy of the Bill which became Act No. 10 of 1863 of the Legislative Council of Bombay. Page 17.

Business of the Bank.

Section XXXII. The said Bank of Bombay, as reincorporated and reconstituted under this Act, may and is hereby authorized and empowered to carry on and transact the business of banking in all or any of its branches, save so far as herein otherwise provided, and in particular the kinds of business herein-after specified, but shall not engage to carry on or transact any adventure, trade, or business other than that of banking in all or some of its branches; and the particular kinds of business which the said Bank is, as aforesaid, hereby expressly authorized and empowered to carry on and transact shall be as follows:—

Bengal guaranteed

1st. The advancing and lending money on Government securities, or on the security of shares in any of the incorporated Indian railway or other public companies in India.

2nd. The discounting, buying, and selling of bills of exchange and other negotiable securities payable in India; and also, for and on account of constituents, only those payable in Great Britain or Ireland.

3rd. The making of investments of the moneys of the said Bank in Government securities, and from time to time altering, converting, and transposing such investments for others of a like nature.

4th. The making, issuing, and circulating of bank post bills and letters of credit made payable to order or otherwise than to the bearer on demand.

5th. The buying and selling of gold or silver bullion.

6th. The receiving of deposits, keeping cash accounts, and granting cash credits.

Page 18.
This is not banking.

7th. The granting loans and making advances upon any goods, wares, merchandise, or other property, or securities of the description above-mentioned, which, or the documents of title to which, shall be deposited with or assigned in the said Bank as security for such loans and advances, and the selling and realization of the proceeds of sale of any such goods, wares, merchandize, or other property or securities which, or the documents of title to which, have been so deposited or assigned, or which shall be held by the said Bank, and over which the said Bank shall be entitled to any lien or charge in respect of any such loan or advance, or any debt or claim of the said Bank, and which said goods, wares, merchandizes, property, security, or documents of title, so as aforesaid deposited with, assigned to, or held by the said Bank, shall not in due time, and in accordance with the terms and conditions (if any) of such deposit or assignment, have been redeemed.

8th. The acting as agents, either for commission or profit, or not, in the transaction of business on account of others, such business being of a nature usually transacted by banks, and particularly in the transaction of the following kinds of business: the taking charge of any government or other securities or shares in any railway, bank, or joint stock company; the receiving of the interest or dividends on any such securities or shares; the investment of any money deposited in the said Bank of Bombay in any of the said securities or shares; to sell or transfer any such securities or shares deposited with the said Bank, or to receive any principal money that may be payable thereon; to invest the principal and interest and dividends so received, or the proceeds of such sale as last aforesaid, in any such securities or shares, or, according to the instruction of their constituents, to hold or pay such principal, interest, dividends, or proceeds, or, at the risk of such constituents, remit the same by public or private bills either payable in India or in Great Britain or Ireland, and to do all acts necessary or proper for the purpose of effecting such remittances.

Copy of Exhibit marked **A 169.**

India Office, London,
24 December 1863.

To His Excellency the Right Honorable the Governor General of India in Council.

Sir,

I have to acknowledge the receipt of the Despatch dated 4 July (No. 31) 1863, transmitting a copy of the law noted in the margin, which has been passed by the Council of the Governor of Bombay, and to which the late Governor General signified his assent.

Bill for the re-incorporation and re-constitution of the Bank of Bombay.

2. I have to inform you that I have considerd the same in Council, and that it will be left to its operation.

I have, &c.
(Signed) C. Wood.

Copy of Exhibit marked **A 170.**

Accountant Generals Office,
June 16, 1865.

My dear Chapman,

I was unable to answer question No. 2 by the special messenger, as the Bank did not furnish me with the required information until past 4 o'clock; I now send it you herein. From this statement you will observe that 14½ lakhs of bills are set down as dishonoured at the branches. Of this Hannay tells me that they hope to realise at least one third. Hannay has just brought me your telegram to him intimating the interruption along the line to Simla. He now proposes to ask the Governor to allow the Bank to open a loan with the Currency Department for a sum to be limited by the Government, upon the distinct understanding that not one anna will be taken unless the Bank is severely pressed. If this pressure does take place, the 44 lakhs belonging to Government will of course be absorbed, and Government as well as the Bank will have to suspend payment. Should the Governor hesitate to accord the loan to the Bank, I beg you will obtain his permission for my drawing from the Currency Department such sums as may be required to meet demands against Government should suspension of payments by the Bank take place.

I am, &c.
J. L. Lushington.

Copy of Exhibit marked **A 171.**

To A. D. Robertson, Esq., Financial Secretary to Government.

Sir,

I beg to bring to your notice the extremely critical state of financial matters in Bombay at the present moment, and to express my conviction that, unless Government interferes in some manner so as to grant relief, something approaching to a general bankruptcy must take place within the next few days.

2. The mint is working in a more dilatory manner than it ever was known to do before when such an amount of bullion had been tendered to it for coinage, and it is reported that the orders at the mint are that the Assay Department shall not work in excess of the Coinage Department. At present, I believe, the outturn is only about two lacs a day. Last year, when the pressure was not half so severe as now, the 'mint worked night and day, and the out-turn was double what it is at present.

3. I would respectfully suggest, as the most obvious mode to me of granting the relief that has become indispensible to the mercantile community, that the mint master should be authorized to issue certificates for an amount approximating to the value of the silver bullion tendered to the mint for coinage. By this mode relief would be granted at once, and I have already stated my conviction that the greatest danger is to be apprehended during the next two or three days; but any other method which to the wisdom of Government may be more expedient would be a boon to the public.

I have the honour to be, &c.
John Cardno,
Manager Commercial Bank of India.

Bombay, 16th November 1863.

Copy of Exhibit marked **A 172.**

To the Honorable A. D. Robertson, Esq. Financial Secretary to Government, Bombay.

Sir,

I have the honor to bring to your notice the present unexampled state of commercial affairs in Bombay. You are doubtless aware of the critical state of the money market, and the great difficulty the public have in procuring money on any security whatever. Should no relief be afforded, and any alarm arise in the bazaar, it is difficult to predict what the consequences might be.

2. In these circumstances I would respectfully suggest that the present time is one when the Government have it in their power to relieve considerably, and probably effectually, the present pressure, by causing to be granted certificates to the public on approximate amounts of silver now lying at the mint. I understand that a very large amount of coined rupees are at the mint, and as the present arrangements there are now incompatible with the wants of the public at this Presidency, the Government would confer a boon on the public by issuing certificates of payment at once, and might possibly be the means of averting a crisis.

I have the honor to be, &c.

Bombay,
16th November 1863.

R. Macneil,
Agent, Oriental Bank Corporation.

Copy of Exhibit marked **A 173.**

No. 1190 of 1863.

Financial Department,
Bombay Castle, November 20, 1863.

From A. D. ROBERTSON, Esq., Officiating Chief Secretary to the Government of Bombay, to E. H. LUSHINGTON, Esq., Secretary to the Government of India.

Sir,

I am directed to bring to the notice of the Government of India the critical position in which the money market of Bombay is at present placed.

2. The Bank of Bombay raised its rates on the 29th ultimo 11 per cent. on Government bills, and 13 per cent. on private bills, and has during the last three weeks been obliged to refuse all accommodation to the public for want of available funds at its command; and so low had the bank's balance fallen that on the 14th instant it stood only as follows:

	Rupees.
Cash - - -	4,13,753
Notes - - -	5,77,580
Total - -	9,91,333

3. The other banks, it is believed, are also in a similar position; and the managers of two of them,* copies of whose letters are annexed, have addressed Government on the subject, requesting that the Mint-master be authorized to issue mint certificates for amounts approximating to the value of the silver bullion tendered to the mint for coinage.

4. This state of matters, which it was believed would have been relieved after the Dewallee (at which time there is always a temporary pressure, owing to the practice of the native merchants of accumulating all their available money in their houses for luck's sake), is, I am to observe, prevailing, while there is no want of bullion in the hands of the Banks and European firms, and if this bullion could be converted into coin the immense pressure on the market would at once be removed.

5. His Excellency the Governor in Council has informed the agents of the banks above referred to, that the issue of mint certificates, as suggested by them, is out of the question, as it would merely transfer the pressure from them to Government; but instructions have, I am to state, been issued, directing the Mint-master to expedite, as far as the power of the establishment will admit, the assay of the silver bullion already tendered to the mint;† and, with a view to provide for the payment of the certificates when ready, the Deputy Auditor and Accountant-General has been authorized to transfer 60 lacs of rupees from the currency department to the mint, in exchange for an equivalent in bullion, in addition to the transfer of the 20 lacs of rupees previously reported to have been made in my letter of the 13th instant, No. 1155.

6. But as there is no indication of any relaxation in the importation of bullion, and as no portion of the machinery of the new mint will be in operation until the beginning of January next, (when the engines, and the rolling mill, adjusting mill, and cutting-out room, are all expected to be ready,) I am instructed to request that the Government of India will, at their earliest convenience, order, as an additional measure of relief, a remittance of coined rupees to be made to this Presidency to any extent possible.

I have the honour to be, &c.
(Signed) A. D. ROBERTSON,
Officiating Chief Secretary to Government.

Copy of Exhibit marked **A 174.**

Financial Department.

Letter from the Bank of Bombay, No. 3278, dated the 8th May 1862, requesting that an extraordinary meeting of the local Legislative Council may be called for the purpose of passing the bill for the re-incorporation and re-constitution of the bank, and urging the importance of the Government treasuries at Poona, Ahmedabad, and Surat being made over to them.

Minute by his Excellency the Governor, dated the 26th May 1862.

A copy of the draft of the new charter goes home by this mail to the Secretary of State, for his consideration. The bank might be informed in reply to their letter that the Government has referred on the subject of the bill to the Secretary of State, and that it is not likely the bill can be passed before the next ordinary meeting of the Legislative Council. But no delay, which it is in the power of this Government to avoid, shall be allowed to interfere with the passing of the Act.

Does the transfer of the treasury business depend on the Act? If not, we may consider that separately.

(Signed) H. B. E. FRERE.

26th May 1862.

Copy of Exhibit marked **A 175.**

Financial Department.

Letter from the Secretary to the Bank of Bombay, dated 13th June 1862, No. 3905, protesting against the delay in passing the Charter Bill, and in transferring to the bank the treasury business at Poona, Ahmedabad, and Surat.

Minute by his Excellency the Governor, dated 1st July 1862.

In reply to para. 2, the bank may be informed that the letter from the Government of India was not received in Bombay until the 29th or 30th April, and not till long after the sessions of the Legislative Department had been brought to a close (this will be sufficient as to delay), add that the Governor in Council would gladly have complied with the request to lay the Charter Bill before our extraordinary session of council, but that in the interim doubts had arisen as to how far its provisions were in accordance with the views of the Secretary of State, and these doubts could not be resolved without a reference to England, in making which no time was lost.

The bank cannot be more anxious than the Governor in Council for the passing of the bill, but until assured as to the views of the Secretary of State it cannot be proceeded with. The whole correspondence has gone home to the Secretary of State.

Chief Secretary's Memo. Para. 7.

"With respect to para. 7 of the letter, I beg to explain that the agreement referred to is the one which has been executed between the bank and the Government, in the 20th Article of which provision has been made for the establishment of branch banks, and that we are awaiting a reply to the letter to the Government of India, No. 783, dated 7th instant, to enable us to decide the terms on which the Government treasuries at the stations at which branch banks have been re-established by the bank are to be made over to it."

Inform the bank that this the case.

Telegraph for an early answer daily till a reply is received.

1st July 1862. (Signed) H. B. E. FRERE.

Copy of Exhibit marked **A 176.**

Bank of Bombay.

Letter from the Government of India, No. 6280, dated 17th December 1863, remarking that on the 14th November 1863 the balance of the Bombay Bank was Rs. 9,91,333, while its liabilities payable on demand were on the same date Rupees 1,56,71,745, and requesting information as to what explanation the Government directors give of a bank in the proper management of which Government are so much concerned having been allowed to fall into this state.

Minute by S. D. Birch, Esq., Government director of the Bank of Bombay, dated 27th January 1864, concurred in by the Honourable A. D. Robertson, giving explanations on the above subject.

Resolution.—Resolved that the following letter be addressed to the Secretary to the Government of India:—

I am directed to acknowledge the receipt of your letter, No. 6280, dated 17th December 1863, relative to the state of the balances of the Bank of Bombay in November last, and to forward herewith copy of a minute by Mr. S. D. Birch, Government director of the bank, concurred in by the Honourable A. D. Robertson, together with a copy of memorandum with which your letter and the above minute were placed before the Honorable the Governor in Council.

2. I am instructed to state that this Government do not see any grounds for holding the Government directors, who are only three out of nine members of the board of directors of the bank, in any way responsible for the general management of the bank. That management, I am to observe, was freely criticised at the period to which your letter refers, by the public press and the commercial community, but Government find

* The Commercial Bank, and the Oriental Bank Corporation.
† The amount of unassayed bullion in the mint was on the 7th instant about 68 lacs.

that the pressure then experienced by the Bank of Bombay was shared by every one of the numerous banking institutions in Bombay.

3. This Government are not in a position to judge to what extent a different system of management might have enabled the Bank of Bombay to hold a better position. His Excellency in Council would, however, have gladly gone further into this question, but for a conviction that Government themselves are not in a position to censure the bank's administration, for the reasons noticed in Mr. Birch's minute.

Letter No. 1,641, dated 23d December 1862.
Letter No. 621, dated 22d June 1863.
Letter No. 958, dated 19th September 1863.
Letter No. 1,102, dated 28th October 1863.

4. The balances in the district treasuries have not been made over to the bank, owing to the non-receipt of the authority asked in my letters noted in the margin, and I am further to state that the unexpectedly heavy drafts from the Secretary of State have led to the Government balances being overdrawn.

5. Since the pressure above adverted to took place, the capital of the bank has been doubled, and a proposition has since been agreed to by the shareholders for a further increase; but I am desired to submit it is not the less desirable that this Government should be enabled to fulfil their engagements to the bank by handing over to it the balances in the district treasuries.

No. 6,280.

Financial Department.

To

A. D. Robertson, Esq.,
Offg. Chief Secretary to the Government of Bombay.

Sir,

In your letter to me, dated the 20th November, you stated that so low had the balance of the Bank of Bombay fallen, that on the 14th of that month it stood only as follows:

Cash - - -	Rs. 4,13,753
Notes - - -	5,77,580
Total Rs.	9,91,333

2. According to the statement of the affairs of the bank published in the Gazette, the liabilities of the bank payable on demand were on the same date Rupees 1,56,71,745.

3. The Governor General in Council requests to be informed what explanation the Government directors give of the affairs of a bank in the proper management of which the Government is so much concerned having been allowed to fall into this state.

4. The bank is at liberty, under its agreement with the Government, to employ the Government balance in ordinary business of the bank to the extent of 40 lacs of rupees, the rest of the Government balance being reserved in coin. As the 40 lacs of rupees in question were included in the liabilities of the bank on the 14th of November, whilst the bank's reserve in cash and notes amounted only to less than 10 lacs, it is obvious that the bank could not have paid any orders that might have been made upon this portion of the Government balance to a greater extent than one fourth of the whole amount.

5. Great efforts are being made to strengthen the Government balance at Bombay with supplies of coin, but if the affairs of the bank which is intrusted with the Government balances are conducted in this manner, the amount at which that balance can be maintained must be considered to be always minus 40 lacs of rupees, or £400,000, and in order to secure the same available sum the balance must be permanently increased to a corresponding amount.

6. The Governor General in Council requests to be informed what remedy the Governor in Council proposes to apply to this state of things.

I have the honor to be, &c.
(Signed) E. H. Lushington,
Secretary to the Government of India.

Fort William,
the 17th December 1863.

No. 7 of 1863.

Financial Department.

Forwarded to the Government directors of the Bank of Bombay, for such observations as they may have to submit on this letter.

2. Copy of the letter from the Bombay Government, dated 20th November last, is also forwarded to the directors, for their information.

I have the honor to be, &c.
(Signed) A. D. Robertson,
Officiating Chief Secretary to Government.

Bombay Castle,
6th January 1864.

Extracts from a Minute by Mr. Birch, Government director of the Bank of Bombay.

Para. 5. During only the first eight months of the arrangement with Government, the balance at its credit with the Bank of Bombay was generally in excess of the maximum. Since then the fluctuations have been so great, and the amount has so often been below the 30 lacs, that the Government business has been one of much anxiety, and but of little benefit to the bank.

6. If this statement of facts is accepted, the consideration of the last paragraph of the letter under reference would seem to be unnecessary, except in so far as it may be expedient for a proper carrying out of the agreement with the bank that the Government balance should be materially and permanently increased.

* * * *

14. In considering this question it must be borne in mind that the immediate contraction of the bank's business had been rendered more difficult by the necessity that had been forced upon it of supplying the branches with funds. When it was decided by the directors to establish branch banks, the measure passed on the understanding that the Government would be prepared at once to make over the Government business and the treasuries, on certain conditions, wherever a branch might, with its sanction, be opened. The course that had been pursued with the Bank of Bengal led the board to the conclusion that no delay would take place in this arrangement; but, although several branches have now existed upwards of 22 months, not one of the Government treasuries has as yet been made over. The result has been, that instead of the branches having funds at their disposal from sources the directors conceived they were justified in relying upon, the head office has been compelled to keep them supplied; instead of being feeders to it, as it was expected they would be, they have been a continuous drain.

Minute by the Honorable Mr. Robertson, Government director of the Bank of Bombay.

I concur in the foregoing, and have nothing additional to suggest.

(Signed) A. D. Robertson.

8th February 1864.

Copy of Exhibit marked **A 177.**

Bank of Bombay.

Letter from the officiating deputy secretary, Bank of Bombay, No. 1921, dated 11th May 1864, forwarding copy of a letter addressed by the directors of the bank to the Honorable Sir Charles Trevelyan, complaining of the delay which has taken place in transferring Government treasury business at certain up-country stations to the branches established by the bank.

Resolution recorded.

Copy of Exhibit marked **A 178.**

To the Honorable Sir C. E. Trevelyan, K.C.B.

From James Blair, Secretary and Treasurer of the Bank of Bombay.

Sir, Bombay, ———

1. In accordance with the instructions of the directors of the Bank of Bombay, I beg to address you on the subject of the present position of the bank with regard to the local Government treasuries at certain places in this Presidency.

2. You are aware that on the 28th of February 1862 an agreement was entered into between the Government and the Bank of Bombay, by which the latter were to take over the management of the Government treasury in Bombay, and whereby provision was made for handing over to the bank, under certain circumstances, the Government treasuries at those places at which the bank might establish branches.

3. Before this agreement was executed there had been some negotiation between the Government and the

directors, and it was upon the clear understanding that the treasuries would be handed over at those places at which the bank should establish branches that the directors entered into the agreement of February 1862. Immediately after that agreement was executed the directors proceeded to establish branches, and they now have branches at Ahmedabad, Belgaum, Broach, Baroda, Bhownuggur, Dharwar, Hydrabad, Deccan, Indore, Kurrachee, Oomrawuttee, Poona, Surat, and Sholapoor, but at not one of such places has the treasury been handed over to the bank.

4. The directors wrote to Sir Charles Wood on the subject, and I beg to annex a copy of the letter of the 10th of October 1862, which contains a statement of the facts of the case. In reply to this letter the bank were informed that instructions had been sent out to the Government of India. Subsequently the directors wrote to his Excellency the Governor General of India, and annexed is a copy of the letter, dated the 25th June 1863.

5. In the month of January last a deputation on behalf of the bank, consisting of Mr. Tristram and Mr. Hannay, waited upon Sir Charles Wood, in London, and after some conversation with him he stated that you were in possession of his views on the subject, and that he would write to you again, and that any further communication from the bank should be addressed to you.

6. Under these circumstances, I am instructed to apply to you, and to request that the Government will, without any further delay, perform its part of the agreement, and hand over to the bank the management of the treasuries at the several places at which the bank has established branches.

7. The delay hitherto has been of serious injury to the bank. In full faith that the Government would perform the agreement, and would place at their disposal the several balances at the local treasuries, the directors at once proceeded to establish branches, but they have not received these balances, and have been obliged to supply the funds necessary for carrying on the business at the branches. The result is that the arrangement, which should have been a beneficial one, has tended to increase, instead of relieve, the monetary pressure which was recently felt in Bombay. Had the arrangement been carried out, it is not too much to say that the great pressure which existed in Bombay would not have been nearly so severe as it was.

8. The delay, moreover, has had a tendency to damage the reputation of the bank. When a branch was established at any place it was stated, and publicly believed, that the local treasury would be handed over to the bank. That we were justified in making such a statement is evident from the Government notification, in which the agreement of February 1862 was published, and wherein it was stated that the bank was prepared to establish branches at the several places therein mentioned. As the Government have not as yet handed over the treasuries the native merchants doubt the *bonâ fides* and stability of the bank, and generally abstain from making any deposits at the branches, though they in some cases express their willingness to make fixed deposits of large amount if the Government business is in the hands of the bank.

I have the honor to be,
Sir,
Your most obedient humble servant,
(Signed) J. BLAIR,
Secretary and Treasurer of the
Bank of Bombay.

Copy of Exhibit marked **A 17.**

To his Excellency the Governor General of India in Council.

From James Blair, Esq., Secretary and Treasurer of the Bank of Bombay.

My Lord, Bombay, 25th June 1863.

1. Under instructions from the directors of the Bank of Bombay, I have the honor to address your Excellency under the following circumstances:

2. In 1861, the terms of an agreement between the Government of Bombay and the Bank of Bombay with reference to the Treasury business were arranged, but down to this time the same have not been fully carried out, and the new Act for the re-incorporation of the bank has not yet received the sanction of your Excellency.

3. The directors, in agreeing to take over the Treasury business, clearly understood that if they should establish branches at unoccupied places the Treasury business there would be handed over to them. They accordingly executed an agreement, dated the 28th of February 1862, for taking over the Treasury business in Bombay, and for issuing the currency notes; and at once proceeded to establish branches at various places. The Treasury business in Bombay has been handed over to the bank, but at none of the branches has the local Treasury business been handed over.

4. Several applications were made to the Government of Bombay for the transfer of these treasuries, but without success; and the directors therefore, on the 10th of October 1862, addressed Her Majesty's Secretary of State for India on the subject. I beg to annex a copy of the letter which was so sent, in which the circumstances of the case are fully set out.

5. In reply to this letter, the directors have been favoured with a letter dated the 14th of November last (a copy of which is also hereunto annexed), from which it appears that Sir Charles Wood had declared the principles upon which the Treasury business was to be handed over to the bank, and that it rested with the Governments of India and Bombay to carry the arrangement into effect.

6. Since the receipt of that letter, the directors have been anxiously waiting to receive from the Government of Bombay an intimation that the local treasuries would at once be handed over to them, and they have frequently applied to Government on the subject, but they regret to say that they have not as yet received any such intimation, and they are now informed that the subject is under the consideration of the Government of India.

7. The Bank of Bombay has established branches at Poona, Ahmedabad, Surat, Sholapoor, Dharwar, and Kurrachee, and has incurred great expense in so doing; but though upwards of a year has elapsed, none of the Treasuries at any of the above places have been transferred to the bank. This delay affects the bank not only in a pecuniary manner but also in its reputation, as a false impression may be formed that the arrangement between the Government and the bank cannot be carried out. I am therefore instructed to draw your Excellency's attention to the position of the matter, and respectfully to request that the necessary instructions may at once be given for carrying into effect the arrangement between the bank and the Government of Bombay.

8. I am further instructed to address your Excellency with reference to the new Act for the re-incorporation of the bank. It is not necessary that I should here mention the several steps which were taken at first for obtaining this Act, as they are set forth in the letter of the 10th October, hereunto annexed, and it will be sufficient if I state that the bill was introduced at the last session of the Bombay Legislative Council, and was passed on the 11th March last, and that it has not yet received the sanction of your Excellency.

9. I am instructed to say that the directors in now addressing your Excellency do so with great reluctance, and from the belief that the importance of the matters above alluded to compels them to take this step. At the last annual meeting of the proprietors, in August 1862, the directors reported that they were then in communication with Government with reference to the transfer of the local treasuries, and the passing of the new Act. They are now about to meet again the proprietors, and they find that matters are in much the same state as they were last year, and they fear that from the fact that the correspondence has been so protracted the interests of the bank will suffer.

10. Under these circumstances, as the directors are informed that these matters are now under the consideration of the Government of India, I am instructed respectfully to request that they may receive the early attention of your Excellency, in order that at the annual general meeting on the 3d of August next the directors may be able to report the completion of the arrangements.

I have the honor to be,
My Lord,
Your Lordship's most obedient
and humble servant,
(Signed) JAMES BLAIR,
Secretary and Treasurer of
the Bank of Bombay.

Copy of Exhibit marked **A 180.**

Bank of Bombay.

No. 980.

Letter from the Secretary to the Bank of Bombay, No. 2415, dated 15th June 1864, forwarding, for submission to the Government of India, two copies of the letters addressed by him to the Hon. Sir C. Trevelyan, on the subject of the present position of the bank with regard to the local Government treasuries at certain places in this presidency.

Resolution.—Ordered, that the following letter be addressed to the Secretary to the Government of India.

With reference to your letter, No. 712, to the address of the secretary and treasurer of the Bank of Bombay, I am directed by his Excellency the Governor in Council to forward, for submission to the Government of India, the accompanying copy of a letter addressed to the Honorable Sir Charles Trevelyan by the Bank of Bombay.

2. The Governor in Council trusts that the sanction of the Government of India will be accorded to the arrangements which have been agreed to between this Government and the bank, with the view of carrying out the transfer to it of the business of the Mofussil treasuries, and which have been concluded so as to avoid the necessity of any cash payments to the bank on account of establishments, and on terms which his Excellency in Council conceives to be more advantageous to the Government than the agreement made with the Bank of Bengal with the same object.

Copy of Exhibit marked **A 181.**

Minute by His Excellency Sir H. B. E. Frere, dated 28th October 1864.

There can, I think, be no doubt that the anticipations of evil resulting from unrestrained speculation by Government Officers in shares, &c. to which Sir George Clerk gave expression in his Minutes commencing with that of the 15th November 1861, are likely to be, if they have not already been realized, and that the good name and efficiency of the Government Service is exposed to immediate risk of injury in the precise manner expected by him.

2. As remarked when this subject was discussed in 1861 and 1862, it is much easier to see the evil than to devise any remedy which may not do much more harm than good. Positive restrictions which would substitute fixed rules for a high tone of general feeling would certainly have this effect, and I have in vain attempted to suggest any such rule which would not be easy of evasion, if the moral sense of the services were once impaired, in such a time of speculative mania as that through which we have just past, and of which a second season seems now impending over us.

3. I can think of nothing more effectual than to recall attention to the general principles to which Sir George Clerk's Minutes give such forcible expression, point out to the Service the extreme importance of obedience to the spirit of those just remarks rather than to the letter of the law, and intimate that in future Government will be guided in its action in accordance with the principles laid down by Sir George Clerk, and concurred in by the Governmnent of India and the Secretary of State.

4. I would further note that no one connected with the Government as a Member of the Secretariat, or as a head or part of the Establishment of a Department, or of any Office at or near the Presidency, in which the affairs of any Company are likely to form matter of official discussion, can with propriety become interested, even as a shareholder, in such Company.

5. Officers must judge for themselves whether the nature of their official connexion is likely to be such as to require that they should dispose of any shares they may have possessed before coming into any official relation with the scheme.

6. But it is a safe rule that no such officer should undertake fresh liabilities as a shareholder in any scheme with which he, or the head of his office, can, however remotely, be so connected. I would therefore propose that the following Circular, addressed to all heads of Departments under Government, be published in the *Government Gazette*, and communicated to the Secretary of State and the Government of India.

28th October 1864. H. B. E. FRERE.

CIRCULAR.*

In forwarding, for communication to all Officers under your control, the annexed Extracts† from the Proceedings of Government in 1861 to 1863, the Governor in Council considers it necessary to recall to the recollection of all Departments of the Government service that so recently as the 31st May 1862 the Right Honourable the Secretary of State recorded for publication that, although as a general rule he saw no objection to the servants of Government holding shares in Joint Stock Companies, having for their object the development of the resources of the country, still it was necessary to impose the restriction that public servants should take no part in the management of such Institutions, and should *not be employed within the districts where the operations of the Company might be carried on.*

† Extract (paragraphs 2 to 10) of a Minute by Sir George Clerk, dated 15th November 1861.
Extract (paragraphs 1, 4, 5, and 6) of a Minute by Sir George Clerk, dated 26th December 1861.
Letter from the Government of India, No. 1421, dated 11th March 1862.
Extract from the Proceedings of the Government of India, No. 453, dated 16th January 1863.

2. The Right Honourable the Secretary of State for India likewise concurred in the view held by Sir George Clerk that, in order to discourage speculation in the public funds and undue connexion with Joint Stock Companies, supercession in promotion was the proper and practicable course for enforcing the orders of Government.

Vide notification of the Government of India, No. 383, of the Home Department, Revenue, dated Fort William, 16th January 1863, republished in *Government Gazette* of Bombay, under date February 4th, 1863.

3. His Excellency the Governor in Council now desires to point out to all public servants of Government at this particular period, when there is so strong a tendency to speculation in Bombay, the extreme importance of obedience to the *spirit* of all the previous orders above alluded to, rather than to the mere letter of the law, and to repeat that Government will be guided in its action in strict accordance with the principles laid down by Sir George Clerk, concurred in by the Government of India, and BY already promulgated in this Presidency under the orders of the Right Honourable the Secretary of State.

4. The Governor in Council has no wish to go further than is absolutely necessary in defining, by specific restrictions, limitations easily recognized by that high-toned sense of public duty which has always stood out as one of the strong characteristics of the

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* The words proposed to be erased by the Honourable Mr. Frere are distinguished by *under lines* in black ink, and the additions proposed by him in *small capitals*. The alterations in margin in red ink are those proposed by His Excellency the Governor subsequently in place of the words underlined in red ink.—*Vide* His Excellency's Minute of 7th November 1864, paragraph 7.

* He
† sufficient

Indian services; and he * believes it to be only necessary to remind all Public Servants of the great importance of avoiding any connexion, however remote, with any undertaking which might tend, under any contingency, to fetter their action, or divert them from the numerous and important responsibilities imposed by the public service upon them.

5. Without, therefore, attempting to lay down stringent rules on the subject, the Governor in Council would CAUTION EVERY point out generally that it is very clear that no one connected with the Government as members of the Secretariat Establishment, or as belonging to a Department or Office at or near the Presidency, in which the affairs of any Company are in anywise likely to form a matter of official reference or discussion, AS TO THE EXTREME RISK HE RUNS IN BECOMING can with propriety, more especially during the present period of excitement, become a shareholder, even in a non-trading sense, in Joint Stock Companies, without incurring the risk of having his motives misconstrued.

‡ of having his motives misconstrued

§ should he become a shareholder in any such Company

6. Where any officer has held shares, under the general permission accorded by Government previous to his appointment to such an office as has been above described, and he wishes to retain them as an investment, the case is materially altered, and His Excellency in Council confidently leaves such cases to be dealt with according to each officer's sense of the proper course to be followed in the spirit of the instructions now laid down.

Minute by the Honourable W. E. Frere, dated 29th October 1864.

I agree generally with His Excellency the President, as I did in 1861 with Sir George Clerk, on this subject, and am quite prepared, under the present state of things, to publish a notification on the subject; and if His Excellency will consent to the alterations I have suggested in pencil * in the last paragraph but one of the notification, and to omit the last paragraph, the notification will have my full concurrence.

29*th October* 1864. W. E. FRERE.

Minute by His Excellency Sir H. B. E. Frere, dated 2d November 1864.

These papers should be re-circulated after we have had the benefit of His Excellency the Commander-in-Chief's views on the subject.

2. It may save time, and prevent discussion diverging into needless generalities, if I briefly recapitulate the evils we have to correct, and the mode whereby I propose, as far as lies in our power, to correct them.

1*stly*.—The evils are that our Government Officers have their attention diverted from their own proper official business, for which they are paid, and are thereby tempted to give an undue portion of their time and attention to the private business of investing any money they have to spare.

2*ndly*.—That the acquisition of shares, or any application for shares, or hope of obtaining them in any scheme which can come before a Government Officer officially, or with the promoters or managers of which he can be brought into official contact, must, to some extent, interfere with such Officer doing his official duty towards the undertaking,—not necessarily by inducing him unduly to favour the undertaking, but very often by making him hesitate to promote the undertaking in the same manner he would have done had he possessed no private or personal interest in it.

3*rdly*.—That by the operation of the causes above alluded to the good name or efficiency of the Government Service suffers, and the high feeling which ought to actuate the Service is impaired.

3. What I propose to do towards remedying these evils is—

1*stly*.—To state explicitly, and more publicly than has hitherto been done, the views held by Government on the subject, not merely with the object of warning the Service as to the letter and spirit of the law, and the intention of Government to enforce it, but also to recall to a sense of their duty to the Public Service those servants who may have been inclined to forget them. A Public Servant must necessarily often be debarred by a sense of public duty from doing that which, if he were a private individual, would be perfectly unobjectionable.

2*ndly*.—Having done this, which does not appear to me to have been effectually done by anything hitherto made public, I would act on the rule that Government will not permit its servants to become shareholders in Joint Stock Companies whose operations are carried on within the sphere, territorial or departmental, of such Officer's official duties, and that whenever Government becomes aware that this rule has been infringed it will notice the infringement, in any manner which may seem most advisable, in connection with such Officer's appointment or promotion.

2*d November* 1864. H. B. E. FRERE.

Minute by His Excellency the Commander-in-Chief, dated 5th November 1864.

In treating the very difficult question raised by His Excellency the President, we have to bear in mind some considerations to omit attention to which might not impossibly defeat the object we have in view.

2. In the first place I think we should be careful not to go beyond the limit laid down by the Government of India—*Vide* 2nd and 3rd paragraphs of letter No. 1421.

3. Investment proper is in no manner forbidden to Her Majesty's Civil and Military Servants in India, but the latter are prohibited from directing companies or taking a direct part in trading. I call attention to the word "direct," because indirectly trading on their part is not contrary to regulation, for any shareholder in a bank or other trading or industrial company is a trader in the eye of the law, and liable accordingly.

4. The Government of India considers, however, that which is called "stock-jobbing," *i.e.* gambling in shares and exchanges, should be stopped by the rigorous intimation of the displeasure of Government toward those of their servants who engage in the practice. It appears to me that the injunction for the discouragement of such "jobbing" should be enforced, and that on occasion we should be guided in this matter by our general information. A Civil or Military Servant, Covenanted or Uncovenanted, on being passed over for such cause, should be informed of the reason why he has been so treated, and I would then leave the onus of exculpation to him, actual proof only being accepted that the general and apparently *well-founded* report was false.

5. The points stated in Mr. Anderson's memoranda open a wide field. So far as he is personally concerned, his defence appears to be thoroughly and completely effective.

6. It is doubtless a matter of feeling, rather than of duty which can be enforced, as to whether a public servant should or should not take shares, either by allotment or purchase, in a given undertaking.

7. It is clear that no officer who is in the position of an adviser to Government on the proposed scheme, or who is habitually employed in giving counsel or as an arbitrator in cognate matters, should permit himself to contract interests which interfere with the independence

of his judgment. But this may happen in various modes even without his interesting himself in the particular undertaking the revision of which may come within his own Department.

8. Thus A, a Secretary of the Public Works Department, may reject, we will say, an allotment of Back Bay shares because of the Government connection with the Back Bay concession, while he may be receiving an allotment of Bank shares originating from the same promoters as those who started the Back Bay scheme. The premium in a rising and excited market, as our experience of the last two years tells us, is as certain in one as in the other, and the favour done to A is as great as that secured to B, who, being, we will say, in the Judicial Department, took his Back Bay shares without compunction, because he was not personally concerned as an adviser to Government with respect to the Back Bay concession.

9. The same thing in another form may be said even with regard to the Bombay Bank. It would have been easy for A to get intelligence from those who might wish to secure him that there was an intention to propose the successive increases of capital which have taken place in that institution, ensuring much benefit to those who were shareholders before the increases were ordered. Such intelligence is conveyed by a wink or casual observation, and without any tangible official breach of confidence. It is acted on, and an immense obligation is conferred on the man who has benefited by it. Guaranteed Railways are not much sought after now-a-days. But it is easy to conceive a case of a Government servant who is in the position to advise on the expediency of adopting a given line making use of his knowledge to take up shares with the hope ef securing premiums hereafter. This would doubtless have occurred before Railways were "found out."

10. I have mentioned these illustrations to show the enormous difficulty by which the subject is surrounded, and what appears to me the danger of drawing any distinctions with respect to the character of speculations or investments in any Resolution we may propose to publish.

11. It cannot escape us that whatever may be so published will be subjected to a very searching criticism, and will have to stand the fire of interested depreciation in every possible form, including that of ridicule.

12. This latter circumstance may possibly do away with the benefit we hope to effect. But I am not on that account inclined to forego the effort. I am led to this by the consideration that many estimable men may be induced to pause before they get the habit of "stock-jobbing," or before they yield to the temptations around, and make their *premier coup d'essai*.

13. After giving the matter the most attentive consideration, I submit with much deference that our Resolution might be in some such form as the following:—

"The Honorable the Governor in Council considers it advisable to republish the letter from the Government of India, dated 11th March 1862, No. 1421.

"The Governor in Council feels it his duty to warn Officers of all ranks in the employ of Government that the injunctions conveyed in the foregoing letter will be acted up to in any instances of violation of the rule contained in it—*vide* paragraph 3—which may be brought to the notice of Government.

"The Governor in Council takes this opportunity of inviting the attention of Government Officers of every rank to the fact that to transgress the rules laid down by the Government of India in the matter cannot fail to interfere with their efficiency, and probably, in many instances, to incapacitate them for the performance of their duties with that honorable conscientiousness which has hitherto been the distinction of the Public Service in this country.

"The effect of such engrossing employment as that of the Stock Exchange is, of course, various with different men. But that which may be comparatively innocuous in the case of one is absolutely fatal to another. According to the most favorable view, we must admit that it is impossible for any man who is absorbed in the gambling of the Stock Market to remain with his mind and time free for the service of his employer, whom he is bound to serve according to his bond.

"It is probable that amidst the excitement of an extraordinary time this consideration may occasionally escape notice. But the Honorable the Governor in Council feels it requires but to be mentioned to produce its full effect.

"One point in connection with the above deserves grave reflection.

"Every Public Officer, whether immediately connected with Government or not, who is in a position rendering it likely that he may be called on to advise or to arbitrate between Government and the promoters of industrial or commercial schemes should take the most special care to keep himself free from any investment or engagement which might tend to interfere with the independence of his judgment, or in any manner to cause a conflict between his private interests and his public duties.

"It is obviously impossible to lay down exact definition in such matters. They must be in great measure left to the honour and discretion of the members of the Service. But the caution here given cannot fail to be held by all sensible men to be an ordinary rule of business, and any disregard of it, if satisfactorily established in the eyes of the Government, must of necessity be treated accordingly."

W. R. MANSFIELD.

5th November 1864.

Minute by His Excellency Sir H. B. E. Frere, dated 11th November 1864.

I did not intend to impose any restriction beyond what was imposed before, nor do I see that the last paragraph of my draft goes at all beyond what the Government of India and the Secretary of State authorize; my object is to make the views of those authorities better known, and to keep them more constantly present to the recollection of our servants.

2. The last paragraph of the draft might certainly have the effect anticipated by the Honourable Mr. Frere of much limiting the field of investments of men who aspire to the highest offices in India, and I think that on reconsideration Mr. Frere will agree with me that it is desirable it should have such effect.

3. As long as a man is content to finish his service with a Mofussil appointment there can be no objection to his investing his savings or fortune in any Presidency scheme which has nothing directly to do with his own District.

4. But if he aspires to higher office, say to the head of a Department at the Presidency, he would, I think, wisely consider, when disposed to take shares in such a project, whether he could consistently with his duty keep them if he got into high office at the Presidency, when he or his fellow servants would have frequent occasion to deal officially with the Company.

5. If he had got the shares as an investment without thinking of the future, and subsequently found himself in a position of official relation with the Company, he ought, I think, as suggested in the draft, to consider whether he can without risk of misconception of his motives continue to hold his shares. It is quite possible he might be able to do so, but it is equally possible that his being a shareholder might cause a great scandal. It is impossible to lay down any rule: each case must depend on the Officer's position, the extent of his stake in the Company, and many other circumstances which no one can well judge of but himself. He can easily do so if he considers, not the qualities of the stock as an investment, but the probable result of the investment on his own character and on that of the service to which he belongs.

6. This is all I propose to suggest, and all, I think, that can be inferred from the paragraph.

7. These proceedings should be reported to the Secretary of State and to the Government of India, the notification, as concurred in by a majority of the Board, being meantime issued.

H. B. E. FRERE.

11th November 1864.

Copy of Exhibit marked **A 182.**

August 24, 1866.
No. 823.

Bank of Bombay.

Letter from the officiating deputy secretary, Bank of Bombay, No. 4356, dated 21 August 1866, requesting that as the two gentlemen (the Honorable A. J. Hunter and Mr. Dinshaw Manockjee) proposed by the directors to be members of the committee for examining the valuation of the assets of the bank have consented to act, he may be informed when the gentleman nominated by Government will find it convenient to act, so that timely arrangements may be made with the directors' nominees.

Resolution.—The secretary and treasurer, Bank of Bombay, to be informed that his Excellency the Governor in council has, with the consent of the Government of India, appointed Mr. E. F. Harrison, of the Bengal Civil Service, to examine the assets and liabilities of the bank, in company with the gentlemen appointed by the directors, and that Mr. Harrison is now in Bombay, and ready to at once commence the duty.

Copy of Exhibit marked **A 183.**

12th April 1865.

Present:

R. Hannay, Esq., President.
J. L. Lushington, Esq.
F. S. Chapman, Esq.
R. L. Tracey, Esq.
A. Brown, Esq.
Premchund Roychund, Esq.

With reference to the following Board Resolutions of 6th August and 17th September 1863, as regards advances on the security of shares :—

Resolved, that the Secretary be authorized, at his discretion, to advance on the shares of the under-noted companies to the extent of the amounts marked opposite each.

Shares so deposited are not to be transferred to the Bank, but the certificates to be accompanied by blank transfers signed by the transferror.

Bank of Bengal - - - 13,000
Paid up Rs. 8,000; present market rate, Prem. Rs. 16,000, old and new shares.

Bank of Madras - - - 75%
Paid up Rs. 1,000, Prem. 123%

Agra Bank - - - - 100%
Paid up Rs. 500, 160% Prem.

Asiatic Bank - - - 75%
Paid up Rs. 200, 105%

Oriental Bank Corporation - - 125%
Paid up Rs. 250, 170%

Commercial Bank Corporation - 50%
Paid up Rs. 250, 75%

Bombay Reclamation Company 20,000 prem.
Paid up Rs. 5,000, 30,000.

Elphinstone Land and Press Co. 1,000 prem.
Paid up Rs. 1,000, 1,450.

In granting such advances the Secretary will in all cases intimate and insert in the bond, that should the shares deposited be depreciated in value during the currency of the loans, the security must be increased or a partial payment made to reduce the debt; one per cent. above regular rate to be charged on such advances; and it is to be distinctly understood that such advances are only to be granted to first-class applicants.

Copy of Exhibit marked **A 184.**

My dear Blair,

This will be presented by Mr. Dady Nusserwanjee Dady, son of our late broker, of high respectability. Should he desire accommodation, Hannay will advise you that you may safely deal with him to moderate amount.

Yours sincerely,
12 January 1865. GAVIN STEEL.

Bank of Bombay,
Bombay, 20 Feb. 1865.

My dear Hannay,

Mr. Dady Nusserwanjee Dady, who got a letter of introduction from Steel, wants a lac for 3 months. Have given him a bill form. Suppose it is all right.

Yours sincerely,
D. ROBERTSON.

Perfectly in order. He must be worth 12 lacs at least.

R. H.

My dear Robertson,

Mr. Dady Nusserwanjee Dady has Rs. 1,00,000 falling due on the 23d. He says he can only afford you Rs. 12,000 cash, and wishes you to renew. As he has plenty of property I think you are safe in doing this.

Yours sincerely,
R. HANNAY.

18/5/65.

Copy of Exhibit marked **A 185.**

D. Robertson, Esqre.
Secretary, &c., Bank of Bombay.

Dear Sir, Bombay, 24th February 1865.

We shall be glad if you will discount at current rate Mr. Wm. A. Hurst's acceptance of our draft at 2 months for Rs. 15,000, say fifteen thousand rupees.

We are,
Dear Sir,
Yours faithfully,
PASSMORE AND CO.

Endorsement.

Mr. Hannay says Mr. Hurst is good for two lacs. Anything under discount.

D. R.

Rs. 20,000 due 3 March. What other name.
D. M.

Only "Passmore & Coy."

My dear Hannay,

Can you tell me how Hurst the broker stands now? He is on a bill with Passmore & Co. for Rs. 15,000. He says, if we give him a little time to collect outstanding debts he will pay in full.

Yours sincerely,
9 June 1865. D. ROBERTSON.

My dear Robertson,

I do not know much about Hurst; better get what you can out of him now.

Yours sincerely,
9/6/65. R. HANNAY.

Copy of Exhibit marked **A 186.**

Bank of Bombay,
James Blair, Esqr. Bombay, 20 Feby. 1866.
Secretary and Treasurer,

My dear Sir,

Your Directors have this day granted you an extension of 6 months leave after much discussion, and chiefly upon my stating that I believed were you granted an extension for six months that you would most probably not return to India. I would most strongly urge you, nay entreat you, not to come back. Circumstances have much altered the position of affairs since you were here. The out-standings of the Bank in the business of 1864 are enormous, and as the Direction will soon be entirely changed, I cannot see that you would have any comfort in returning to your old post. Mr. Robertson, who has worked most zealously, has been made trustee on numerous estates, and were his position in the Bank lowered this would lessen his prestige and do injury to the institution.

As a friend, I strongly advise you to resign before your leave expires; this you can now do with much more credit than if no extra leave had been granted.

Believe me,
Yours very truly,
R. HANNAY,
President.

Copy of Exhibit marked **A 187.**

James Blair, Esqr.

I am instructed by the Board of Directors to inform you that when the leave of absence granted to you expires, you will be considered out of the Bank's employment, your services being no longer required.

Copy of Exhibit marked **A 188.**

BANK OF BOMBAY.

As regards the past there is much which is full of instruction, but which I do not find on record in these papers.* With the exception of a very few papers, mostly telegrams, the Viceroy does not seem to have recorded what I addressed to him direct, though I begged his Excellency (vide P.S. to my letter of 15th June 1865 and 7th July 1865), to make what use he thought proper of my letters, and gave my reasons for not writing to him in the ordinary official form.

Some of the information which I thus forwarded is almost essential to a clear understanding of the position, and I therefore submit copies of such letters as I have by me; and I would leave it to the Secretary of State to circulate or record them, or deal with them as he thinks best for the public interest.

It will be seen that the past history of the bank divides itself into three clearly marked periods,—

1stly. A period of good management under the original Secretary, Mr. Stuart, and under the old rules and byelaws, which were very similar to those of the Banks of Bengal and Madras.

I believe that all these rules and checks were in operation up to 1862, at least up to the time when Mr. Ellis ceased to be, as Financial Secretary to Government, an *ex officio* Director.

2dly. A period of very reckless mismanagement, nearly coincident with the excitement in the cotton trade consequent on the civil war in America (say from 1862 to 1865). During the greater part of this period, Mr. Birch, the Government Accountant General, appointed by and only accountable to the Government of India, was Chairman, and Mr. Blair, Secretary.

Most of the old rules and byelaws were relaxed or disregarded, and many formally set aside, without, as far as I am aware, any intimation to the local Government.

The capital was doubled with, I believe, the general consent, not only of the shareholders, but of the great body of the local mercantile community. A new charter was granted in which one of the few legislative checks on unsafe advances was removed. I do not recollect that, either by writers in the public press or by any branch of the local commercial community, was any opposition offered to either measure before its adoption, which was in both cases, very deliberate, including preliminary references to the Secretary of State, in, I think, both instances.

It was during this period that the increased capital of the Bank was lent out in a very reckless manner, and the foundation laid of all its subsequent misfortunes.

It is worthy of note, that the first warning we had of anything wrong came from the Secretary of State. I have not Sir Charles Wood's letter at hand, and cannot just now give the exact date, but it must have been just before the crash in April 1865, for I communicated what Sir C. Wood had told me to Mr. Chapman, who had then recently joined as Revenue Secretary, and *ex officio* a Government Director of the Bank.

3dly. A period of almost unvarying pressure and misfortune, commencing with the collapse in the price of cotton which followed the sudden cessation of the war in America in April 1865.

The price of cotton then fell in one fortnight from 20*d.* and 24*d.* to 9*d.* per pound; and when it is considered that the Indian cotton trade of the year previous was valued at 38 millions sterling, and that almost every large firm in Bombay was directly concerned in that trade, the extent of the distress caused by the sudden fall in the price of this great staple may be imagined.

This pressure was expected to relax after the settling day for time bargains in cotton, which then stood for July 1865, but with the exception of a delusive appearance of returning high prices of cotton on two or three subsequent occasions, there has since been no prospect of the Bank being for 12 months together in a position to be really independent of Government support, nor, I believe, of the forbearance of its other principal constituents.

I do not think that inquiry will show that when all the circumstances are taken into consideration, there is much fault to be found with the Bank management during this last period, *i.e.* since April 1865.

The mischief had all been done before that time.

The Chairmen, Directors, and Secretary have been, with few exceptions, different persons from those who mismanaged the Bank between 1862 and 1865, and of whom the most influential had left India just before the crash came in April 1865.

The bank has been much blamed for the policy of forbearance which has been pursued since 1865, and the Government of India has expressed strong opinions that the Government of Bombay should have enforced a more rigorous mode of proceeding with all the Bank's debtors.

It is quite possible that had the Bank then pursued a sterner system, the total amount of ultimate loss and suffering would have been lessened.

But I am quite sure that nothing could have induced a Board of local directors, composed partly of Government officials, inexperienced in commerce, and partly of merchants deeply interested in the import and export trade, and all untrained to real banking, to follow out such a policy, with the knowledge that it must involve extensive immediate ruin, the whole of which would of course be naturally set down to the harshness of the Bank.

Nor have I ever been able to understand in what manner the Government of India would have had the local Government interfere to make the Bank "gather up its resources," which simply meant to press for immediate payment from a body of debtors who were at the time clearly insolvent, and unable to meet their liabilities. We put in the best men we could find as Government Directors, and the best of all, the man on whom I should mainly have relied, both to discover what was faulty in the past and to carry out strictly what was for the ultimate good of the Bank in the future, was removed by the Government of India, in order to put in an officer of their own.

We gave the Government Directors every support in pressing on the Board the necessity for the strictest possible discharge of their duties, and I do not see what more could have been done, without undertaking the entire management of the Bank, a task for which, I venture to say, no Government that ever existed in India is or was ever fitted.

It must be borne in mind that there have been three distinct crises in the misfortunes of the Bank.

The first, between April and July 1865, was clearly due almost exclusively to the Bank's own mismanagement during a previous period of very exceptional trial and temptation.

The next, in December 1865, was almost equally due to the mismanagement of the Government Financial and Currency Departments in Calcutta, which, by reducing cash balances too low, almost produced a momentary State Bankruptcy.

The Bank was then unable to help Government, but it had little to do with creating the necessity for help.

The third crisis, in June 1866, was the natural result of having a weak State Bank, which did not possess the confidence of the community at a time when the financial pressure all over the world rendered the existence of a strong State Bank of peculiar importance to such an emporium as Bombay.

The difficulties of the Bank, like those of all similar institutions in India, have been greatly aggravated by the very unsatisfactory state of the law regarding bankruptcies, and the liabilities of joint stock companies. A well meant attempt which was made at the suggestion of Chief Justice Sir Matthew Sausse, to effect a temporary and local amendment of the law, did not answer, and in the opinion of many mercantile men and lawyers only made matters worse.

I see that the shareholders have lately proposed to memorialize Government to aid in an inquiry into the past history of the Bank. I have not much hope that any very substantial good will result from any such inquiry, in the shape of any fresh information regarding transactions which the managers of past years may wish to conceal. But there is some chance of important information being elicited, if the shareholders and directors join with Government in making a thorough inquiry, and if nothing new is elicited, even such a negative result will not be worthless.

I would therefore suggest that a telegram be sent to the Governor of Bombay, informing him that if such an application comes before him, the Secretary of State wishes him to give every aid to the inquiry. Unless assured of the support of the Secretary of State in such

* Despatches before the Secretary of State.

an inquiry, it is possible the Governor of Bombay may doubt whether any adequate result is likely to follow.

The Government of India wished to make some sort of inquiry at Simla, and directed the Governor of Bombay to send particulars of accounts, &c. thither by post. I pointed out to Sir J. Lawrence the serious objections to any attempt to make such an inquiry in such a manner, and suggested his sending an agency of his own selection, unconnected with Bombay, to make an inquiry on the spot.*

But I had very great doubts whether any such Government inquiry would elicit more than was already known, or fix on any one man or set of men more responsibility for what had occurred than was already apparent in the reckless extravagance of which we had only too ample evidence. I conclude that the same view must ultimately have been taken by the Viceroy himself, for I do not see that any further inquiry by any officer deputed by the Government of India was ordered.

The case is, however, widely different when the shareholders and Directors join in the demand for inquiry; and if anything more than the most culpable carelessness on the part of those who managed the Bank can be now discovered, it is quite possible that such an inquiry may bring it to light.

I think the Bombay Government should also be requested, if possible, to retain Mr. John Stuart in India, pending the conclusion of any such inquiry.

He was the Secretary and Manager of the Bank in the days of its prosperity, and only returned to Bombay last year, in the hope of being able to restore the Bank to its former position. He is better able than any other man to aid an inquiry into the causes, which in his absence, have ruined a bank, which a few years ago he left in a most prosperous condition. I may remark, in passing, that it would be very desirable, as I have often pointed out to the Viceroy, that Mr. Massey should visit Bombay on his way from Simla to Calcutta, and I would strongly advise an expression of the Secretary of State's desire that he should do so this season, and that his successor should go to India, *viâ* Bombay, and stay there long enough to make himself acquainted with its peculiar mercantile and financial features.

I observe that several expressions in Sir Wm. Mansfield's most able minute imply an opinion that the Bombay Government ought to have done something to correct the mismanagement of the Bank. I wish his Excellency had been more specific as to the kind of interference on the part of Government, and the time for it which he thought desirable, for I had an impression, derived from very full and frequent discussion of the subject with him till he left us early in 1865, just before the cotton collapse, that he went at least as far as I do in holding that Government can very rarely do more to secure the proper working of a Bank than by appointing the best Directors who can be selected from among its own responsible servants, and that when the Government attempts more, it is very liable to do mischief.

This, in fact, seems to me the cardinal difficulty in all Indian Bank direction. It is not always easy to secure careful and conscientious Bank Directors, and, in some respects, Government servants, though not practically acquainted with banking, make valuable Directors in their capacity as checks upon reckless and irregular management.

But when the Government Director fails in his duty it is difficult to see what can be done, except to remove him, and, if necessary, to punish him.

In the present case the directors, who are possibly culpable, had left the Bank before it was discovered that anything had gone wrong. Some of them had left the service, and those who still remain have suffered, and will suffer to the end of their service, by the loss of credit and promotion consequent on the discovery of their neglect. It is not easy to see what more could be done where there is no suspicion of anything worse than carelessness and a perfunctory discharge of duties which, in most cases, did not essentially appertain to the substantive offices which the Directors filled in the Government service. Of course, if anything worse can be proved against them, they should suffer accordingly; but I have not hitherto heard anything worse imputed to them.

After all that has passed, I still think that any active direct participation by Government in ordinary times in the ordinary management of a Bank, and in any other form than the quasi independent action of Government Directors, must do more harm than good, and I have stated in my letters to the Viceroy many of the reasons which induce me to think so.

The Members and Secretaries of an Indian Government are often most valuable, as quasi trustees, as checks upon irregularities and innovations; they are rarely qualified to take an active part in the management of a bank, while discharging their regular official duties under Government; and I am quite sure that a Bank, the affairs of which formed a regular part of the discussions at the Government Council table, and in which the Government was perpetually interfering, would in these days have a very small share of the business or the confidence of the general public.

But the papers before us relate more especially to the future; whether the Bank of Bombay shall be resuscitated, and on what terms the Government shall join in its reconstruction.

After very careful reflecting on what has passed, and on the very able minutes before us, I feel inclined to revert to the opinion which I formerly held very strongly, that the best possible plan for a Government Bank would be one general Bank for all India. At one time I thought that such a Bank might be established, with its head quarters in India; but I confess that the manner in which the propositions of the Bank of Bengal for an amalgamation with that of Bombay have been discussed on both sides of India prove to my mind that any attempt to maintain an Imperial Bank, with a Direction in India, would be abortive, if from no other reasons, from the strong and irreconcileable local jealousies which the selection of the head quarters for such a Bank would evoke.

But I do not think that this would be the case with a Bank having its direction in London and Branches in India.

At each of the Presidency towns the agent's proceedings might be checked by a local committee of three or four Directors, representing the Government and local community of shareholders, and the consent of one Government Director might be made legally necessary to the validity of important acts.

The head office in London would be in immediate communication with the Secretary of State.

This is the only device I can think of to obviate the evils which I have pointed out to Sir John Lawrence (vide my letter of 22d June 1866 to the Viceroy), as sure, sooner or later, to follow the present system of uncertainty and multiplicity of authorities who have more or less power to interfere with the Bank's proceedings.

But this plan can hardly be adopted during the currency of the present charters of the Bengal and Madras Banks. I think, however, it should be now considered, and, if it seem desirable, our present proceedings might be shaped accordingly.

It would be quite possible to fix a limit now to the term during which the existing arrangement with the three Indian Banks should continue in force, and to enact that, after the expiration of that term, the Government business should everywhere be intrusted to the Imperial Bank or to its branches having its head quarters in London.

The shareholders of the present Banks might be allowed the option of joining the Imperial Bank on the most favourable terms; and as the existing Banks, when their connexion with Government is severed, would be able to extend their operations in several profitable directions from which they are now debarred, the change might be made a beneficial one for all parties.

Meantime, I see no alternative, as long as the present agreements with the Bengal and Madras Banks continue, but to reconstruct the Bombay Bank on the old model, taking such additional precautions as can be desired against such mismanagement as has wrecked its predecessor.

I think the arguments of Sir J. Lawrence and Sir W. Mansfield in favour of Government holding shares far outweigh those of Mr. Massey against the practice.

I am not aware of any great commercial country, except America, where the views advocated by Mr. Massey have been tried, and I doubt whether commercial men here would consider the American experiment by any means conclusive. Here in England the connexion between the Government and the National

* Vide my letter of 10th December 1866.

Bank is very intimate, and without that connexion the Bank of England could not perform the part it does perform in the commercial economy of the empire.

For India such a connexion is at least equally important, and where consistency and uniformity of action are of primary importance I know of nothing but connexion with the Government which can in India effect what is desired in a great establishment or undertaking of any kind.

I do not see how, without representing shares, the Government Directors can exercise a legitimate control in a Bank. There will always be a tendency on the part of the commercial Directors to consider their own interests as separate from those of the Government, unless the latter is also a shareholder; and this feeling will operate very strongly in times of difficulty; so that I have no doubt, in such times, any Government official who was merely charged with the delation of irregularities would be powerless to prevent, however speedily he might detect and report, intentional deviation from prescribed rule.

September 23d, 1867. H. B. E. FRERE.

Letter from Sir BARTLE FRERE to the Governor General of India.

Near Waee Sattara Districts,
10th June 1865.

I was just starting for Sattara, with the intention of passing a few days there before going on to Poona, when I received a letter from Mr. Chapman, our Revenue and Financial Secretary, which has made me change my route for Poona and Bombay.

Chapman wrote after the weekly meeting of the Bank, of which he is one of the Government Directors. He says nothing can be gloomier than the aspect of the money market, and he expresses serious fears for the Bank itself.

It had long, I am told, been a weak feature in the management of the Bombay Bank that they had at calls large deposits of other Banks, which, though they made a good show in the balance sheet, were in reality a source of weakness, as being liable to sudden withdrawal in very large sums at one time. On the day Chapman wrote, they had just escaped having to meet a cheque of 25 lacs, and some of the Banks might draw without notice for even larger amounts; one, the Commercial, has 40 lacs at call, and in the present state of the market the withdrawal of such amounts might lead to a suspension of payments.

Chapman adds:—"On paper we are in a very satisfactory state, but the list of overdue bills is not a pleasant sight. The list too of debtors whose bills have still to run presents a very different aspect to what it would have done six months ago. Men who were then supposed to be good for crores are now either insolvent or on the verge of bankruptcy. In the days of prosperit your management was characterized by what now appears to have been most reckless conduct. It is a satisfaction to me personally to know that the mischief was done before I had any connexion with the Bank. I don't for a moment mean to imply that any one would have acted otherwise than the former Directors did. It is easy enough to be wise after the event."

From all I hear from other quarters, I do not go so far as Chapman in acquitting his predecessors of blame; and the Government ought to have been warned long ago of many things which have only lately come to light. I had indeed no notion that anything worse than slowness and ordinary bad management could be imputed to our Bank till my attention was directed to the subject two or three months ago by Sir C. Wood. I then begged Mr. Chapman, who had just joined the Secretariat, and through him Mr. Lushington, who had come here to succeed Mr. Birch as Deputy Auditor and Accountant General, to look closely after the working of the Bank, and it is only since then that we have known anything of how things have been managed.

I think it right to tell you how matters stand, though I hope there may be no necessity for any action of Government. We were severely censured, just before you came out, by Lord Elgin and Trevelyan, for doing what I believe averted a crisis in November 1863; and I will be careful to refer, if possible, before anything of importance is done or refused to be done; but you know that in cases of this sort previous reference, except by telegram, is often difficult.

It would be useful, I think, if the Financial Department of the Government of India made the local Governments more parties to the financial correspondence with the local account departments, at least on all matters of importance. At present we hear very accidentally and irregularly, and this, of course, begets indifference in all local officers and departments to the subject of finance generally, and "the Government of "India look after that" becomes a very common excuse for neglect.

We shall have, I think, to ask your support in applying again to Sir C. Wood to cancel an order of the Court of Directors, which forbids us to appoint as Government Directors of the Bank men who would hold shares on their own account. Of course there are some advantages in having as Government Director a man whose judgment cannot be biassed by his private interests as a shareholder. But this advantage is apt to be overbalanced by the ignorance or indifference of the non-shareholding community. Banking is not a complicated or difficult business, but it is not in itself very interesting, and few men will master or attend to its details as a pure matter of official duty, and that not a main or principal duty, but one merely accidental and contingent.

I doubt whether our Bank would have been so ill-managed but for the operation of this rule. It forced us to exclude Mr. George Inverarity, who happened to be the only Civil servant in the Presidency Town who was really competent for the duty, but he had shares of his own, and after an ineffectual attempt to get the prohibition removed, we were forced to remove him, and his place was filled by men who knew nothing whatever of banking when they joined as Directors.

Letter from Sir BARTLE FRERE to the Governor General of India.

Poona, 15th June 1865.

I wrote to you on the 10th regarding the state of the Bombay money market, and was sorry to find on my arrival here on the 12th that matters had not improved, as you will see by this weekly statement of the Bank's affairs.

BANK OF BOMBAY.

STATEMENT of the Affairs of the Bank of Bombay on 10th June 1865, compared with the Statement issued on 3d June.

	3d June.	10th June.
Liabilities.	Rs.	Rs.
Proprietors' capital	1,04,50,000	1,04,50,000
Subscription on account of new capital	1,03,68,909	10,37,099
General Treasury Balance	64,76,748	36,96,437
Deposits at Head Offices	3,33,51,212	3,17,50,320
Deposits at Branches	67,63,570	64,08,583
Bank Notes and Bills outstanding	2,94,558	2,90,657
Rest	28,98,433	29,21,201
Sundries	4,02,177	3,57,454
Rs.	7,10,05,607	6,62,45,651
Assets.		
Loans at Head Office and Branches	92,84,209	93,34,610
Credit Account at Head Office and Branches	75,53,521	78,13,873
Bills discounted at Head Office and Branches	2,44,40,609	2,39,52,759
Dead Stock	6,14,377	6,40,627
Stamps	12,076	12,190
Balances with Agents	23,74,489	23,46,608
Sundries	12,37,984	14,38,209
Government Reserve Cash	24,76,748	—
Cash and Currency Notes at Head Office	1,43,42,725	1,20,55,049
Cash and Currency Notes at Branches	86,68,869	86,51,636
Rs.	7,10,05,607	6,62,45,65

From Mr. Chapman, who arrived next day, I received a still gloomier account of affairs. He brought me notes from the Chairman, intimating that the run on the Bank was imminent, that the cash was being rapidly drawn, and that without assistance from Government Monday next might bring the Bank to a stop.

In three days, from 10th to 13th, the Cash and Currency Note Balance had fallen from 120½ lacs to 98. This was exactly one third the Bank's Liabilities for deposits; in ordinary times a safe amount; but, as the Chairman (Mr. Hannay) wrote, the Mercantile Bank was that day drawing 5 lacs, other cheques for large amounts were coming in, and there was a certainty of much cash being required for next mail.

The list of bills overdue was 40 lacs, but though the Bank had taken all usual proceedings to recover these

debts, owing to the tedious law process, and the utter paralysis of the money market, the proceeds were practically *nil*. Other Banks had nothing coming in, and were looking with much anxiety to the result of the application which it was generally surmised the Government Bank must make to Government for extraordinary aid.

The state of things in Bombay is graphically described in a letter I have just received from Mr. Rustomjee Jamsetjhee Jeejeebhoy, of which I enclose a copy. His great wealth, and high reputation for sagacity, which has been well proved by his present reputed freedom from all personal embarrassment or concern in unsound speculation, give his opinion great weight, and I have no doubt, from other communications received from men of very different views, that the step he recommends is that which the representatives of the momentary interests of Bombay generally, if we could consult them, would concur in asking for. It is exactly what the Bank, through the Chairman, asks for; viz., power to draw on Government for a crore and a half, in case of need, the money to be advanced from the Currency Reserve.

On asking Mr. Hannay how he would reconcile doing this with the provisions of the Currency Act XIX. of 1861, he referred to Sec. 10, but admitted what he wanted done would be a straining of the Act.

By the latest return we have (10th April), you have issued and have now out in circulation about 743 lacs of Currency Notes, and, as I read the last two columns of the return, about 357½ lacs of Government Securities are held in your reserve. This is within 48½ lacs of the extreme limit of the amount (four crores) of the reserve which the Act, Sec. 10, allows to be held in Government Securities; so that, as the Act stands, you could not advance the Bank more than some 42½ lacs of Currency Notes, even if they offered to deposit Government paper, and just now Government paper is as difficult to get at in Bombay as cash.

Supposing you are willing to assist the Bank in case of need, the only legal mode I can think of is to let them have the money in currency notes, and to transfer them, from out of your cash balances to the credit of the Currency Department, the sum so advanced. It is not, I conclude, legally necessary that this cash should be in the Bombay Mint, nor even in any treasury of the Bombay Circle of Issue; as I read the Act, it may be in any of your treasuries, provided it be *bonâ fide* set aside as Currency Reserve, so that it may not be used for the general purposes of Government.

Thus, for example, if the Bank wants a crore, it would be given in notes, and if we had a crore of rupees to spare in our Bombay treasuries it would be set aside to the credit of the Currency Department, and sent to the Mint, to the Currency Commissioner, when opportunity offers; or, if we had no spare cash in our Bombay treasuries, the cash might be at Agra, Calcutta, or Madras, and be treated in like manner—and be sent to Bombay as may seem advisable to meet demands of cash in exchange for notes, should the latter be presented to the Currency Department for payment.

In former days the Government treasuries used everywhere to be full at this time of year, and there would have been no difficulty as to the amount. Whether this is so still I cannot tell; but however much Trevelyan's measures may have reduced the general cash balances, there must be so much more in hand in June than at other times that I hardly anticipate any difficulty from want of means.

There remains the question whether you think Government ought to aid the Bank? But when you consider what large interests are at stake besides those of Government and the Bank shareholders, I cannot doubt your thinking that everything which can be done by Government ought to be done to prevent the Bank from stopping payment, however much their misfortunes may be the result of the Directors' own bad management. I believe that at the present moment a suspension of payment by the Government Bank would be as great a calamity as could befall Western India.

I fear there can be no doubt that the present precarious position of the Bank is mainly due to bad management. Who are to blame will, I hope, be more clear when we get a report on the subject which I have asked the Government Directors to prepare; but from all I can learn, the Secretary, Mr. Blair, now in England, was a very unfit man for his post, and was far too much trusted by the Directors.

I am told that a standing rule of the Direction limiting to a moderate fixed sum the Secretary's powers of making advances to any one person or firm without the consent of the Board of Directors, was abrogated some time ago, and he was left practically uncontrolled. He seems to have used his power in the most reckless manner, by making advances to junior partners, and to men of no substance, on their personal security, without requiring the security of the firms to which they belonged. Much of this money may be ultimately recoverable, but it ought never to have been lent.

Among the Government Directors, Mr. Birch, the Accountant and Auditor-General, who has just returned to England and retired from the service, had the greatest weight, and I believe he had great experience in the management of the Bank at Madras, and much practical knowledge of banking affairs generally. He certainly possessed a weight among mercantile men in Bombay greater than could be due merely to his official position, and I believe Trevelyan and others who had long known him thought highly of him. Of late, I am told, he devoted himself much to the Bank's affairs, rather to the prejudice of his other duties. As far as close attention to the Bank went, he is not to blame. But whether he aggravated or mitigated the Secretary's mismanagement I have at present no means of deciding.

I have every reason to feel satisfied with the present Government Directors, Mr. Lushington, the Deputy Accountant and Auditor-General, and Mr. Chapman, our Chief Secretary, as far as general ability and intelligence and right principle goes, but as regards banking affairs, I do not know that either of them had any experience before they joined their present appointments. I have already told you of the way in which the prohibition to appoint as Government Directors men who have shares of their own operates to exclude men of practical experience.

Our third Government Director, Mr. Mangles, has been for some time away, and I am told that he is not likely to return, his appointment as Civil Paymaster having been abolished; but this, like most other things in the Financial Department, we only know incidentally, and I am unable to ascertain exactly whether the office he held as a Government Director of the Bank is at this moment vacant or not.

As an instance of the incidental effect of keeping the local Government in the dark as to the proceedings of the Financial Department, I may point out that 18 lacs of the sudden diminution of the Bank's balance of cash this week is due to a transfer of that amount to the Currency Department, which was ordered by the Financial Department at Calcutta, without, as far as I can learn, a word of warning or intimation to this Government. I do not even know the reason, and only heard of the fact in consequence of parties unconnected with the Bank remonstrating at the ill-timed withdrawal of so large a sum at a moment when the Bank required the utmost forbearance.

But I must not wander from the main point, which is to tell you as fully as I can how the Bank is situated, and to learn your wishes as to the line which this Government should adopt in the event, which is I fear very probable, of our being appealed to for aid.

Nothing is further from my wish than to avoid responsibility, and for whatever we do I am ready to answer, without wishing to throw any portion of the burden on others; and I feel very confident that when you have the whole case before you, you will approve of whatever we may do, for neither I, nor any one belonging to the Government, have, as far is I know, the slightest personal interest in the matter, nor any wish but to do what is best for the permanent interests of Government and the country.

But if, after we have acted to the best of our ability, our proceedings are upset by a telegram from Simla or Calcutta to some one in the Currency or Financial Departments here, who looks to you, and not to us, for orders, we should obviously have done more harm than if we had folded our hands and let events take their course. It is very difficult at this distance to give you a correct idea of the state of affairs here, so as to enable you to judge what should be done. All I ask is, that you will give us credit for exercising reasonable care and circumspection, and not conclude we are wrong till you have given us time for explanation. I enclose a copy of a telegram which I have just sent you, briefly stating how affairs stand, and asking leave to comply in case of need with the Bank's request.

P.S.—I write in this form to avoid, as far as possible, the risk of the very serious state of affairs becoming prematurely known, but you will, I trust, deal with what I have written as though it were officially before you. Mr. Ellis, the only other member of Government now in the country, has gone carefully into the question,

and agrees with me that there is no other apparent means to prevent the Bank stopping, and to avert the consequent public bankruptcy, but to advance in case of need to the extent and in the manner above described.

Letter from Sir BARTLE FRERE to the Governor General of India.

Poona, 22d June 1865.

I telegraphed to you on the 17th my thanks for your message of the 16th, and also on the 20th I telegraphed to tell you of the good effect which is already apparent in consequence of the knowledge that Government would give to the Bank reasonable support.

Mr. Chapman wrote on the 20th that a very marked degree of confidence was established directly the news became known, and he was in hopes that no actual aid would now be required.

It is, however, too soon to draw any such conclusion. The 1st of July is the settling day for a large proportion of the time bargains in shares. Till then no one can even guess with confidence who will be solvent and who bankrupt. Of course they who have had nothing to do with the time bargains will come off best, but they are a very small numerical minority, daily decreasing in number as revelations come out of men who were supposed to be clear of such transactions but who are found to have gambled under the names of others, and the most immaculate in the matter of time bargains have in the way of ordinary legitimate business trusted men whose word three weeks ago was good for millions, and who are now bankrupts. In addition to Byramjee Cama's bankruptcy for 3¼ millions, we have had two failures of men supposed till ten days ago to be quite solvent for between one and two millions sterling each, and I hear of an impending failure of a very respectable Parsee house,* with liabilities popularly estimated at six (6) millions sterling.

The Bank's weekly statement up to the 17th, which I enclose, shows things nearly at their worst. At one time the cash notes were down at 78 lacs. Chapman says that on the 20th they were up to 98 lacs, and the receipts from depositors for that day were 3 lacs in excess of the drafts, so I hope the run is for the present over. There was a run on the Poonah Branch Bank on the 17th, but Sunday intervened, and on Monday the deposits which had been withdrawn were in great part returned. When things were at their worst, the Agra and Chartered Mercantile Banks drew nearly their whole balances, under circumstances which induced the Directors of the Bank of Bombay to beg them to draw the remainder, and close their accounts.

STATEMENT of the Affairs of the Bank of Bombay, on the 17th June compared with the Statement issued on the 10th June 1865.

	10th June.	17th June.
Liabilities.	Rs.	Rs.
Proprietors' Capital	1,04,50,000	1,04,50,000
Subscriptions on account of New Capital	1,03,70,909	1,03,70,909
General Treasury Balance	36,96,437	53,90,069
Deposits at Head Office	3,17,50,320	2,32,19,361
Deposits at Branches	64,08,583	57,35,801
Bank's Notes and Bills outstanding	2,90,657	3,98,970
Rest	29,21,201	29,35,128
Sundries	3,57,454	4,88,541
Rs.	6,62,45,561	5,89,88,779
Assets.		
Loans at Head Office and Branches	93,34,610	96,37,810
Credit Accounts at do. do.	78,13,873	78,77,454
Bills discounted at do. do.	2,39,52,759	2,28,06,062
Dead Stock	6,40,627	6,46,627
Stamps	12,190	12,423
Balances with Agents	23,46,608	17,03,572
Sundries	14,38,209	14,15,942
Government Reserve Cash	—	13,90,069
Cash and Currency Notes at Head Office	1,20,55,049	80,20,198
Cash and Currency Notes at Branches	86,51,636	54,78,572
Rs.	6,62,45,561	5,89,88,779

It is a curious circumstance that our note circulation continues to expand rapidly. It was 356 lacs on the 10th, 375 lacs on the 14th, and yesterday 4 crores. Various explanations are given of this, that notes are safer and more easy to carry, or to hide, or to trace by their numbers, than cash is, and that they are in demand by those who wish to convey away or conceal their means.

However that may be, the fact indicates no mistrust of Government solvency, and is so far satisfactory.

Against four crores of notes, the Currency Department holds 186¾ lacs of Government securities, and the rest, with the exception of 19 lacs of sovereigns and gold, is in silver, almost all coined.

Our District Treasuries are well supplied; our last return of District Treasury cash balances shows 164 lacs of cash (exclusive of the Mint and Treasury at Bombay), and an estimated balance of about equal amount for the end of the month, and about 130 for the 31st July, which is equal to about three months of current local expenditure.

As far as I can gather from the numerous letters I see from mercantile men of various classes, as well as from the tone of the daily press articles, what has been done is very generally approved.

On this point you will hear enough, doubtless, at the annual meeting early in July, when the Directors' conduct will be subject to the criticism of shareholders, to whom they will be unable to promise a dividend.

Meantime, Chapman and Lushington are preparing a very full report, which I have no doubt will show how far their predecessors, as Government Directors, were or were not to blame.

As much depends on the exact time and circumstances of a loan, and there have been so many changes among the Government Directors during the year, I will wait for more definite information before stating my own impressions. The point of most present importance is the management of the Bank for the next three weeks, and in that respect I think we have done or are doing all that can be done.

We are of course inundated with suggestions publicly and privately, and from all sorts of people, but none of them seem to me of much practical use. One of our leading Greek merchants,† whose name stands deservedly high, and who is reputed to be quite clear of embarrassing engagements, sends me, through Mr. Ellis, an excellent letter, describing the prospect of ruin to three fourths of the houses in Bombay, and the paralysis of ordinary legitimate trade, at a time peculiarly favourable in all respects, save the state of the money market, and, after highly praising the integrity and public character of the present Government Directors, recommends that we should remove them, as inexperienced in banking, and appoint in their stead three Europeans of high character, "independent merchants, who are totally free of any transactions in the share market, or as promoters of companies;" but when asked to name such men, he was unable to point out one such phœnix, and every Native, or European who knows Natives, can estimate the extent of panic which would be caused in every bazaar by the news that the official Directors had been withdrawn and three merchants put in their places. Moreover, if a better professional mercantile element is required in the Direction, it is clearly for the shareholders to supply it.

Another suggestion is contained in a letter from Mr. Rustomjee J. Jeejeebhoy, of which I enclose a copy. You probably know the history of the Time Bargains Act to which he refers. It was brought in at the instance of the Chief Justice, Sir M. Sausse, by Mr. Westropp, then Acting Advocate General, and when he went into the High Court as Judge he left it in charge of Mr. Michael Scott. It was very fully discussed in our Council and in the Bombay Chamber of Commerce, where it was made rather a party question between those who followed Mr. Scott's lead and those who generally opposed him. In our Council it was opposed with great eloquence and ability by Sir William Mansfield, and supported by Mr. Anderson; and Rustomjee, who was originally in favour of the Bill, was converted by Sir William, and voted against the third reading.

It seemed to me that the main arguments used against the Bill did not apply to the measure in the shape which it finally took after months of discussion and adjournment. It did not propose to interfere with time

* Cursetjee Furdenjee since stopped for between 3 and 4 millions sterling.

† Mr. Ralli.

bargains in any way beyond applying the existing English law to them, and leaving them out of court to be dealt with as merely gambling debts or debts of honour. I did not give any weight to the arguments, that the Legislature should prescribe such transactions, for that is not exactly the business of legislation; but I thought much weight was due to the Judge's complaint that, as the law stood, unless the Acts were passed they were forced here to go into cases of pure gambling which in England would be thrown out of court at once, and that our courts of justice were degraded into mere settling offices for a betting ring.

I therefore approved the Act, which was passed by a majority of the Council, and sent it to you in November, and have since heard nothing more about it.

We made a reference on the subject some months ago, in consequence of our Chief Justice pointing out that the High Court was being inundated with suits which had nothing to do with the legitimate commerce of the place, but were in truth the mere fencing of a couple of gamblers.

Mr. Michael Scott, as a leading merchant of a very advanced and liberal school, was much criticised for bringing forward a Bill which threw a certain class of bargains out of court. His reply was, that they had no more to do with trade than the Derby had, but that they very seriously interfered with trade by tempting traders to gamble.

The event has quite justified his view. Cotton has risen in price 50 per cent. in two months, but the cotton market is stagnant, not for want of cotton, or of buyers or sellers, or of money, but because every man is holding every rupee he can command to be ready for a great settlement of time bargains in July, when, I am assured on good authority, some 30 or 40 millions sterling will change hands, according to the then price of cotton, opium, Government paper, but, above all, of shares in joint stock companies, many of which exist only on paper.

Of course there must be a tremendous crash, and the best and most cautious will find great difficulty in getting paid what is owing to them in legitimate trade. The Court will be overwhelmed with business, and sorely puzzled to apply the law, for it is in a very doubtful state, and all that is certain is that the later English Acts do not apply here.

But while thinking that the advocates of the Bill have the best of the argument, and that their reasoning is backed by experience, and that a very large portion of the present distress is due to time bargains, and to the spirit of gambling which they foster, there is some risk, as I have pointed out to Rustomjee, that at this particular moment the immediate approval of the Bill may go further than at any other time in its moral effect. It cannot prevent the making of time bargains, but it may encourage some, who would otherwise try to pay, to repudiate, under a vague notion of the law excusing them. I would not myself let such an objection prevent the final passing of a useful law, but I have pointed out to my repentant colleague that the objection may have its weight.

Since I began this letter I have read your Military Secretary's telegram of the 21st, inquiring whether we have taken steps to ascertain the quality of the good outstanding bills and securities which the banks hold. This was done some six weeks ago, when Sir C. Wood drew my attention to the management of the bank, and the result was better than I then expected. The advances on shares without collateral security were not large, nor the prices at which they were valued then high. There ought, of course, to have been no such transaction at all, but they were not heavy, nor, at the then prices of shares, attended with much risk. Since then, however, shares of every kind have become almost unsaleable except at ruinously low prices; and as for bills, it would be difficult to say what in Bombay at present is a good bill. Till the first of July, no one will be able to tell who of his debtors will pay him and who not; and I believe no earthly financier could guess the probable value of the Bank's outstandings till the first settling day in July has revealed who are likely to be solvent and who not.

Letter from Sir BARTLE FRERE to the Governor General of India.

Poona, 24th June 1865.

I have just received the enclosed from Mr. Chapman, to whom it was forwarded, with an intimation that the original would come before Government, signed by a great number of the leading houses and banks.

Of course the weight to be attached to it will depend on the character of the signatures, but I send it to you as a sign of the times.

If it comes up in a form to deserve to be submitted to your Excellency officially, I will get the opinion of the Chief Justice and Chamber of Commerce to send with it.

I imagine that, as a body, the bar and attornies would oppose it. I am told they are so busy that it is quite impossible to get work unconnected with insolvency cases attended to.

Letter from Sir BARTLE FRERE to the Governor General of India.

Poona, 28th June 1865.

The state of the Bank continues to improve slowly, but we shall probably not know the worst for another week or so; after that I look for some permanent amendment, not only in the state of the Bank but of commercial affairs generally.

BANK OF BOMBAY.

STATEMENT of the Affairs of the Bank of Bombay on the 17th June 1865, compared with the Statement issued on the 24th June.

	17th June.	24th June.
Liabilities.		
	Rs.	Rs.
Proprietors' Capital	1,04,50,000	1,04,50,000
Subscriptions on account of new Capital	1,03,70,909	1,03,73,309
General Treasury Balance	53,90,069	66,82,477
Deposits at Head Office	2,32,19,361	2,25,02,526
Deposits at Branches	57,35,801	57,98,606
Bank Notes and Bills outstanding	3,98,970	3,88,962
Rest	29,35,128	29,55,114
Sundries	4,88,541	2,56,101
Rs.	5,89,88,779	5,94,07,095
Assets.		
Loans at Head Office and Branches	96,37,860	96,53,667
Credit account at Head Office and Branches	78,77,454	76,72,323
Bills discounted at Head Office and Branches	2,28,06,062	2,31,41,977
Dead Stock	6,46,627	6,46,626
Stamps	12,423	12,440
Balances with Agents	17,03,572	13,09,155
Sundries	14,15,942	8,08,006
Government Reserve Cash	13,90,069	26,82,477
Cash and Currency Notes at Head Office	80,20,198	76,31,779
Cash and Currency Notes at Branches	54,78,572	58,48,645
Rs.	5,89,88,779	5,94,07,095

I have been with Mr. Chapman looking over a very ugly list of doubtful debts owing to the Bank.

The sums owing by declared or known insolvents, and of overdue bills, after deducting securities reckoned at par, amount to upwards of 52 lacs, and probably 10*s.* in the 1*l.* would be a high estimate of what the Bank will realize on these, all round.

But it is impossible at present to get anything like a reliable estimate of what the bills, whether overdue or still recurring, will be worth ultimately. When you consider that liabilities, incurred sometimes six months ago by time bargains, *i.e.*, bets on the price of cotton, opium, and shares on the 1st of next July, are in suspense to the amount of many millions (popular estimate says 30 or 40), and that not one Native trader in 20 is entirely clear of liabilities of his own, for such time bargains, and that every merchant and bank, however clear in their own persons, has at least that proportion of time-bargaining constituents and correspondents, you may imagine the present state of entire paralysis, and the impossibility of saying who is and who is not likely to be solvent next week.

I send your Excellency an extract from a letter from Sir M. Sausse, our Chief Justice, in which he gives by anticipation his opinion on the memorial of which I sent you a copy. We have not yet received it, except in this draft form, but I am told mercantile men generally in Bombay approve of its prayer.

I find the advances of the Bank on shares were not so heavy as has been supposed, nor quite so reckless,

though not, I imagine, justifiable as banking operations. Up to the 12th April, when our Government Directors stopped them, the total advances on shares were Rs. 41,70,000, and the par value of the shares is Rs. 22,52,522, but some of them even now stand above par, and others are likely to do so in ordinary times. There are 39 Back Bay shares among them.

The excuse of the mercantile Directors is, that when they began to advance on shares the pressure on the money market was supposed to be temporary, that they had then nearly three millions of cash balance, and that they invented a sliding scale, by which, as the security was depreciated, fresh security was to be taken. But, like other sliding scales, it refused in the time of need to slide, and none of their reasons are, I imagine, sufficient in a banking view, as prudent men had for months previous seen that there would be a very tight money market in April and May and June, and the risk of advances beyond the paid-up value of shares is sufficiently obvious even to a lay understanding.

We have desired the Government Directors to report what is necessary to alter the terms of the Bombay Bank's Charter, so as to assimilate it to the Banks of Bengal and Madras, and prevent any such loans in future.

The present Government Directors are not to blame, as Mr. Chapman only came into office in February and Mr. Lushington still later, and till Mr. Birch left no one supposed that the Bank required more Government supervision than he gave it.

Letter from SIR BARTLE FRERE to the Governor General of India.

Poona, 7th July 1865.

I have received your letter of the 23d, regarding our Bank. Since writing it, you will, I hope, have received my subsequent letters, which will have served to lessen, I hope, if not entirely to remove, your anxiety. You shall have full details of all that relates to the Bank's past management, and what we propose for the future, in reply to your Financial Secretary's official letter.

The Bank's position goes on steadily improving. The dreaded time bargains settling day on the 1st of July passed, and left the Bank with rather a better cash balance than they opened with in the morning. Everyone seems to hope that the crisis is now passed, that everyone now knows the extent of liabilities, and that trade will revive. I hear of one more gigantic failure of Cursetjee Furdonjee, an old and formerly much respected house, with liabilities of between two and three millions sterling, more than a million of them from time bargains in cotton and shares, and a host of smaller fry.

I hope you will now assent to our Act for throwing these time bargains out of court. There can be no doubt they have been one great cause of all the misery and ruin we see around us here now. There would of course have been overtrading and mad speculation of all kinds under any circumstances, when so much money was thrown into a community peculiarly prone to speculation and gambling; but the evil has been intensified by these time bargains. They have this peculiarity as compared with all other kinds of betting, that they are carried on under the guise of trade, and the settling day is so far off that any unusual change in the price of the article bet on may cause such prolonged uncertainty as to the solvency of the betters as seriously to embarrass all non-betting people who are connected with them. It is easy to say, "Do not bank with a "banker who thinks more of the Derby, or rouge-et-"noir table, than his counting house;" but if the betting be carried on in the counting-house, and under the forms of ordinary trade, the most cautious man in Lombard Street may be taken in. All this Mr. Michael Scott pointed out when the Bill was before us, but his opponents ridiculed his arguments, which went no further than the existing English law.

You must not suppose that because the 1st of July is past there is an end of the evil consequences of time bargains which then fell due. The only step gained was each man's knowledge of his own losses. A few slipped out of their liabilities by informalities in the tender, or similar technical modes of getting off their bets. Some of the smaller fry compromised on the spot, promising to pay 25 or 30 per cent. of their losses, but to the great majority in number, as well as in character and wealth, the effect was merely to fix the liability and amount, and to allow the lawyers to commence a settlement by pettifogging duello, instead of the summary settlements of Tattersall's and the Jockey Club Committee.

Meantime, the ordinary business of lawyers and merchants is nearly at a standstill, under circumstances which, but for these time bargains, would have ensured a rapid revival of trade.

STATEMENT of the Affairs of the Bank of Bombay on the 1st July, compared with the Statement issued on the 24th June 1865.

	24th June.	1st July.
Liabilities.	Rs.	Rs.
Proprietors' Capital	1,04,50,000	1,04,50,000
Subscriptions on account of New Capital	1,03,73,309	1,03,73,309
General Treasury Balance	66,82,477	64,38,312
Deposits at Head Office	2,25,02,526	2,22,58,635
Deposits at Branches	57,98,606	52,60,645
Bank's Notes and Bills outstanding	3,88,962	3,80,107
Rest	29,55,114	29,56,194
Sundries	2,56,101	6,73,829
Rs.	5,94,07,095	5,87,91,031
Assets.		
Loans at Head Offices and Branches	96,53,667	92,39,391
Credit Accounts at do. do.	76,72,323	76,00,849
Bills discounted at do. do.	2,31,41,977	2,27,42,639
Dead Stock	6,46,626	6,46,627
Stamps	12,440	12,727
Balances with Agents	13,09,155	14,21,048
Sundries	8,08,006	4,23,851
Government Reserve Cash	26,82,477	24,38,312
Cash and Currency Notes at Head Office	76,31,779	89,83,748
Cash and Currency Notes at Branches	58,48,645	52,81,839
Rs.	5,94,07,095	5,87,91,031

The Bank Directors are now so satisfied that they will not need any actual Government help that I will not trouble your Excellency with further reports, unless something unforeseen should happen.

I send the last published weekly statement, dated 1st July. The Bank's position has improved almost daily since then, and their own cash balance yesterday was close on a million, with liabilities much diminished.

You need not be afraid of our doing anything to embarrass the Currency Department. It is a curious thing that, at the time when the general panic was at its worst, and one of our local newspapers was writing in a strain to incite a run on the Currency Department, the circulation of notes steadily increased. It was, on the 1st July, more than four millions sterling (four crores and seven lacs rupees), and the cash reserve was,—

Silver coin	189 lacs.
Gold coin	18 ,,
Silver bullion	10 ,,
	217 lacs, or 2,170,000*l.*

In January, when speculation was at its height, the note circulation was not above 365 lacs, or 3,650,000*l.*

P.S.—I have sent Sir Charles Wood all the information I have given you. I fear that even the sad reality of the losses in Bombay will not be worse than the gloomy anticipations which were generally felt in the City as to what was in store for us. I have troubled you more than I otherwise should have done with letters in this form, because we find that, with our weakened and demoralized establishments, it is very difficult to prevent breaches of confidence, if once anything goes beyond the Members of Government and the Secretaries. The purport of Lushington's telegram, promising your support in anything we might do to support the Bank, was, I am assured, known and made use of in the Bombay Bazaar before it reached us. It was said to have come *viâ* Calcutta, but I can learn nothing beyond suspicions as to how or to whom; and as the original telegram was not in cipher, it is just as likely it leaked out here.

Letter from Sir BARTLE FRERE to the Governor General of India.

Sholapoor, 23d December 1865.

On the 13th ultimo I drew your attention by telegram to the correspondence between our Accountant General and the Financial Secretary to the Government of India, regarding the state of our Bank and Currency Department, and I understood that the orders issued by you had removed Mr. J. Lushington's apprehensions. Yesterday I was startled by a letter from Mr. Lushington to Mr. Chapman, of which I enclose extracts, expressing great anxiety lest we should stop payment; and to-day I have a cipher telegram from the Secretary to Government, partly unintelligible, but distinct as to the facts that the Bank closed yesterday with only 6½ lacs of silver coin.

You will see that between the Christmas holidays, which will prevent inconvenient demands for payment, and help expected in the shape of cash remittances from Madras, there is ground for hope that we may not actually stop payment; but this is certainly the third time that we have been seriously threatened with the same calamity within the last two years, in times of extreme commercial prosperity, besides all our difficulties during the commercial crisis six or eight months ago, and I am sure you will agree with me in thinking that this is not either so agreeable or creditable a state of things, that we should allow it to become chronic. Moreover the wolf, so often threatened, may come at last, and Madras may not be always able to help us, for I fear some of the causes of our difficulties are not local, and the evils we suffer from it will, in time, spread over all India.

I do not know whether you ever have alarms of this kind in Calcutta or at Madras, nor can I tell how much of our difficulty so frequently recurring may be fairly attributable to the action of our own financial officers and how much to the Bank.

But I wish to point out that our Bombay Government has under the present system little or no power to prevent or even to foresee such difficulties. All our finance machinery is moved by the Financial Department at Calcutta, with very rare and incidental reference to this Government. So far as I know, we are never referred to till some mischief is imminent, and then more frequently by the local than by the Calcutta Financial officers.

This may be all as it is intended, and we may be needlessly disquieting ourselves about what is well looked after by your officers; but I do not like to leave the point doubtful, lest you should suppose we are looking after what, under the present system, we cannot, and, so far as I can make out, no one else does, thoroughly look to.

I hope to be in Bombay in a few days, and will, if you wish, do my best, as soon as I get there, to ascertain the causes of these threatened fits of Government insolvency in seasons of extreme commercial prosperity, and will let you know, if I can learn, whether any and what changes in our Bank, or mint, or currency management in our financial arrangements are likely to lessen the frequency of these alarms.

But before I attempt to do anything of the kind, I should be glad to have your authority to take up the question, and that I may be assured I shall not be brought up by a letter from your Financial Department, telling us to mind our own business, and not to meddle with what is no concern of ours.

P.S. (24th).—Mr. Chapman has just received a letter from Mr. J. Lushington, saying that "matters have "gradually got worse," and that the silver balance in the Currency Department was only five lacs, Government balance 56¼ lacs, but the only available coins for payment are, whole rupees 4 lacs; and half rupees 2¾ lacs, as the whole amount available to meet all demands on Government and the Bank, and he says, "suspen- "sion seems imminent." I hope to be in Bombay before business hours on the 26th, but I do not see what it is possible to do, if there is no money in the Treasury, nor any Bank which can discount your Calcutta bills. I do not understand why Lushington looks on the gold in the mint as less available than silver. Here the sovereigns which are taken at Rs. 10 by the Mint in Bombay are selling for Rs. 10. 7 in the Bazaar, so that there ought to be no difficulty in converting them into silver.

Letter from Sir BARTLE FRERE to the Governor General of India.

Bombay, 26th December 1865.

After sending off my letter to you on the 24th, I got such very alarming accounts of the state of our Treasury and of the money world here that I set off yesterday, and by travelling the greater part of Christmas Day and all night arrived this morning. I have seen Ellis, who had preceded me, and who, as you know, has a very good head for finance; Erskine, and all our Government people, including Mr. J. Lushington and Colonel Ballard, Mr. Hannay, the Chairman of our Bank, and others who could speak to the mercantile view of the crisis; and this is briefly the result of what I heard:—

The present crisis is, only in degree, unusual; there is every year more or less tightness of the money market about this time, especially if trade be brisk.

The causes of this tightness being this year greater than usual are,—

1. A general alteration in the system of buying cotton. Formerly the up-country cotton merchant bought from the cultivator on credit, paying only earnest money 10 or 20 rupees a candy. He sold the cotton again on credit to a Bombay merchant, and all the transfer from hand to hand, till the cotton reached the English importer, was more or less on credit, and the balance was often not cleared till the price of cotton was realized from the English importer. Thus payment of the full price was deferred for many months.

A different system prevails this year. Partly from growing wealth and growing independence, partly from more knowledge recently acquired of the possible value of their cotton, and of the risk of giving long credit, the cultivators and rural merchants will only sell for cash down. This has obliged even the best English houses this year to send cash into the cotton districts before buying the cotton, instead of as formerly sending only a small advance, and the balance after the cotton had been sold in England. Hence the necessity for an unusually large and early provision of cash this season.

Neither the Government nor the Banks have done anything to accelerate this change of system. It is the natural result of a thriving trade and of increasing prosperity.

2dly. The exchange Banks have not managed well. They parted with their available funds when exchange was not favourable, and now they want the resources which they thus improvidently forestalled. Exchange is now very high, and will in time bring back money hither; meantime the Banks suffer from want of it.

Last year at this season the aggregate cash balances of all the Banks in Bombay were over 3¾ millions sterling (3¾ crores rupees). On Saturday they were under a quarter of a million (25 lacs rupees), as ascertained by a careful and confidential comparison of their respective states.

Matters would have been even worse on Saturday had not the Banks, with a view to avoid extreme pressure, at the end of last week agreed to keep open during the Christmas holidays, which, it had been previously notified, by general consent, were to have lasted a week. But for this promise to keep open this week, most of the Banks would have run dry on Friday or Saturday, by customers wanting cash to carry them over the holidays.

The money has gone to pay for cotton just purchased generally in the Nizam's and other districts where bank notes are not current. The necessity for getting coin for this purpose has led to a run on the Currency Department. During the commercial crisis of April to August last the note circulation extended by about a million sterling. Men preferred notes, as more portable, and more easily concealed. Now they want coin to send to provinces where notes are not current, and about 2½ millions sterling of notes have been cashed in a few weeks, beyond the cash drawn from the Banks.

There were symptoms on Friday and Saturday that this run on the Currency Department to cash notes was slackening.

3dly. The merchants generally have an idea that much of the present tightness is due to the tardiness of the Financial Department in Calcutta to reinforce the Treasury here with coin, and to the selfish conduct (as they call it) of the Bank of Bengal.

I find that Mr. J. Lushington gave very ample warning of the prospective want of coin. But instead of coin he received about 40 lacs (400,000*l.* sterling) in bills mostly drawn on customers of the Bombay Bank, so that the only effect was that if the Bank discounted the bills it simply transferred so many rupees from the account of customers A.B. to the account of the Government. The Bank's stock of coin was in no way replenished or increased by the transaction.

Of course under such circumstances the bills could not be discounted. They were valueless as a rein-

forcement to the Bank's means of meeting the drain of silver.

Our Banks here find great fault with the Bank of Bengal, who they suppose suggested the measure of sending bills instead of coin to serve their own ends, and also with the Government for consenting to it. They say, that the Finance Department at Calcutta ought to have known, and that the Bank of Bengal must have known, that what was wanted here was the actual coin, and that the best bills which could be sent were useless, unless the coin to meet them had been sent also.

Of course, without hearing the other side, I cannot tell how far this is true or just. I only tell you what the Banks here say.

4thly. There was some complaint that the Treasury here had been embarrassed by excessive and irregular drafts on it from the Secretary of State. There seems to have been some cause for this complaint, till lately. We have written and telegraphed to the Secretary of State to let the Accountant General know in time what he is going to draw for on Bombay, and if he does this there will be no more inconvenience from this cause. I cannot make out that it has had much to do with the present difficulty.

5thly. The Bank complains bitterly that much of the Government reserve is in small silver and copper. They say that it might almost as conveniently be in uncurrent coin, and I confess there seems to me to be much force in this complaint. When out of 57 lacs only 7 are in whole and half rupees, it is clear that the reserve, however imposing it may look on paper, is of little immediate use to meet a run.

6thly. It was stated that in the estimates of revenue prepared by the Financial Department at Calcutta the probable realizations were set down at higher figures than was warranted by the estimates prepared here, and that consequently the Financial Department at Calcutta has a fallacious estimate of the probable balance in hand during the year. I cannot at this moment tell how far this assertion is well founded, but a comparison of our figures with Trevelyan's Budget Estimate will show you whether any over sanguine calculation of our expected receipts has misled the Financial Department. Our Opium reserve is as you know much below what it was expected.

7thly. The Mint is doing as much as can be expected, turning out five and six lacs a day. But even at this rate it takes a long time to coin the whole of the silver poured in, which is sometimes close upon a million sterling, by a single mail; and at times like the present, when the money is wanted for provinces where notes are not in use, the Mint certificates are presented immediately for cash, which is thus drawn out of the Treasury long before the silver for which it is due can be coined.

When this inconvenience was first experienced about two or three years ago, it was proposed to revert to the old practice of making the Mint certificates promises to pay coin, not at sight, but after an interval of say 21 days. But there were objections to this, and Sir C. Wood suggested that the Hamburg form of Mint certificate should be adopted. This is a promise to pay coin, or to return the bullion. This would enable the Mint, when overtasked, to refuse payment for silver till it had been coined. To this our merchants here saw no objection, but they urged that no alteration should be made in the form of certificate at a period of excitement such as then prevailed, but that Government should wait for quieter times, and when quieter times came the subject, as far as I know, was forgotten.

I think some such change must be made, or your cash reserves here must be greatly increased. If you look at the returns of note circulation in this circle you will find that it was up at 4 crores 15 lacs at the end of September, just before the busy season, and by the middle of December it had fallen to 2 crores and 58 lacs, and besides this the Banks here had been cleared of all their cash to the extent of about three crores, and this, be it remembered, not in consequence of a panic, but of an unusually brisk trade.

In a market subject to such sudden and extensive fluctuations it is clearly not safe to have the Government Cash Balance with the Bank habitually near the minimum of 30 lacs, and to keep two thirds of it in copper and small silver.

I think whatever form of Mint certificate you may adopt you will have to increase the amount of Government balance which you habitually leave with the Bank, and also of the cash reserve held against notes by the Currency Department in Bombay.

We are sending you a question referred by the Mint Master and the Accountant General, which will show you that had either of them been obstinate about their interpretation of the Currency Act last week the Treasury might have been *really* bankrupt.

This is the sum of what I learned in my conversations with our own officers and the Bank people here. The district treasuries have all been drained, and we have failed to discover even five lacs of rupees which we could lay hands on. The Guickwar has a full treasury, and would readily help us, but all his revenues are paid in his own rupees, and I have ascertained that he has no Company's rupees to lend us. I have pointed out to Mr. Lushington how he might get his gold converted into silver, but this cannot be done to any great amount nor rapidly.

We have sent confidential instructions to pay nothing from any treasury which can be deferred. We have had applications for instructions as to what is to be done if the Treasury is empty (and of course answered "that it should be filled again as speedily as possible"), and suggestions that we should stop while we have still cash enough left to pay Government servants their salaries next month; but I hope we shall not run dry, nor even be reduced to tendering quarter rupees and two anna pieces. I will keep this till Wednesday, which the Banks seem to think, as the first clear day after the holidays, will be a trying one to them.

28th, Tuesday evening—Mr. Lushington reported that the Bank had paid away 12 lacs of rupees for notes during the day, and had only two lacs of whole rupees and less than three lacs of half rupees in the Bank at closing hour.

Yesterday ( ) the Mint turned out six lacs, and the Bank only paid away three (3), closing with seven lacs of cash in hand.

Mr. Lushington is still rather desponding, but Colonel Ballard and the Chairman of the Bank are sanguine that we have seen the worst; the latter says that the few people who know how great the drain has been seem suprised that matters are no worse.

I shall probably be able to tell you by telegram before you get this which opinion has been justified by the event.

P.S.—I enclose copies of some correspondence regarding the Bank's complaint that so much of the Government Cash Balance is kept in copper and small silver coins, which are of no use to them for banking purposes. You will see that on the Bank complaining of this in November 1863, we directed the Deputy Auditor and Accountant General of that day to transfer the small coins to the Mint balance, and to make over to the Bank whole rupees instead. But in March 1864 these orders of ours were upset by a letter from the Government of India, dated 6th February, to the Deputy Auditor and Accountant General, Bombay, directing "that no portion of the amount of small "silver or copper coin must be excluded from the "calculation of the Government balance" with the Bank.

So our previous orders of November were cancelled. The amount of small silver and copper was then 17 lacs. It is now about 20. So if the Bank had ground for complaint then, it has more now.

I have just heard of the arrival of two steamers, one with 10 lacs of rupees from Beypoor sent by the Madras Government, and the other with four lacs from Kurrachee.

Letter from SIR BARTLE FRERE to the Governor General of India.

Bombay, 12th January 1866.

My letter of the 26th ultimo and its enclosures will have given you some of the information which, from yours of the 3d just received, I gather you required.

You will have seen that it was not the Bank of Bombay which was in difficulty this time so much as the Government Treasury and Currency Department. We have had here our full share of bad and improvident banking, and the Bank of Bombay has been quite as bad as its neighbours here or elsewhere. But on this particular occasion it was as well prepared as the most cautious—the Agra, for instance—to meet its own liabilities, though it was not prepared to let Government overdraw its account to the extent we should have required.

Of course it would have been more to the Bank's credit if it had been able to help us. But we ought not to have needed help from any Bank to meet a pressure which might have been foreseen and guarded against.

It seems to me that our difficulties were mainly owing, as far as preventible causes are concerned,—1st, to Trevelyan having reduced our balances below what was safe or prudent; and, 2dly, to the more recent mistake of sending us 40 lacs of undiscountable bills instead of 40 lacs of coin.

You will have seen from my second letter that of the 55 lacs of balance which Edward Lushington told you we had in the Bank by his latest advices only 7 were in whole rupees, and that this 7 had fallen before you wrote to 2½. James Lushington tells me they send very full and punctual returns by telegram at least once a week, and the Financial Department ought certainly to be able to give you later and fuller intelligence than Edward Lushington seems to have had on the 3d.

You must forgive me for saying that I do not like either the measure you have just passed for altering the Paper Currency Act, nor the manner in which it has been passed.

No doubt it was necessary to take steps to prevent your being obliged to stop payment of notes with your Mint full of uncoined silver.

But might not this have been effected quite as well in the manner suggested by Sir C. Wood two years ago, by altering the terms of the Mint bullion receipts to what is called the Hamburg form, which gives Government the option of returning the bullion if unable to coin it fast enough?

Then by restricting your assay (only in time of pressure like the present) to the rate at which you can coin, say six lacs a day, you can at any time provide against a crisis like the late one, without causing panic, and without altering your Paper Currency Act.

For us, the season when your treasuries are full, say, from March to August, such a drain on your coined silver would occasion no inconvenience to you. It is only when, as now, the pressure happens to come just as your treasuries are at their lowest, that any inconvenience can be felt.

The power of being certain to get notes for bullion as fast as it can be assayed is one much valued by bullion importers. It is a great stimulus, indirectly, to the use of notes. It was a great convenience to the importer, not an "encouragement," as Mr. Massey and Sir William Mansfield are said to have called it, which such a trade does not ask for, and ought not of course to have, but a convenience, like a good and powerful Mint, which it is only reasonable to afford them.

The bullion trade has now acquired great dimensions and importance, and I cannot help thinking it would have been well to have consulted those concerned in it, both here and elsewhere, before adopting a measure which so greatly affects them.

We have, as yet, only newspaper summaries of what passed in your Council in Calcutta on the fifth, which are probably very erroneous reports of the arguments in Mr. Massey's Act for amending the Paper Currency Act, but I confess there seems to me much justice in what Mr. Bullen is reported to have said. We make a large profit out of the Mint and from the Government Securities purchased to the value of four millions sterling with the rupees which we got in exchange for notes. In return for the income thus received by Government, I think we are bound to give every reasonable facility to the bullion importer, and the retention of balances of coin adequate to meet the demand for Currency Notes seems to me one of the first and most reasonable facilities the public can expect.

We have reported to you officially that the demand for rupees has slackened, and they are again coming to the Currency Department in exchange for notes, the circulation of which has this week much increased. For the present, therefore, we do not propose issuing any notification under your new Act.

We shall have to propose changes in the Charter of our Bank, which has been very badly managed.

Letter from Sir BARTLE FRERE to the Governor-General of India.

Bombay, 2d February 1866.

My letter of the 12th ultimo will have partly answered yours of the 11th, but I return the memorandum from your Financial Department, with some remarks added in a third column, and I also enclose a copy of a letter from Mr. Dickson, which will, I think, show you that our currency management has great faults of its own to answer for, and cannot safely throw stones at the Bank. Indeed the Financial Department seems entirely to mistake who is the party on trial. It is not the Bank, but the Government Currency Department. The Bank might have been in a better position to help the Currency Department; that is matter of opinion, and even that they deny; but the Currency Department ought not to have needed help, nor would they have needed it but for the extraordinary mistakes of locking up so much coin in Government paper, and then sending J. Lushington paper when he asked for coined silver.

But, as you justly say, it is little use discussing the past, except with reference to the future prevention of any recurrence of such difficulties, and in this sense, you will see that the improvement of the Bank's management, however important in itself, has really nothing to do with the question. It is a Paper Currency question, and nothing else.

And in this point of view I own I cannot agree to the opinions you express in your letter of the 23d. You say, that, "so far as we can help the bullion dealer, "without deranging our monetary arrangements, we "should do so."

As I understand the case, the bullion dealer needs no help. You say to him, "You shall not coin your own "silver; we will coin it for you." But it is not coined quickly, and having taken his good silver, and given him paper notes for it, you lock up his good silver in the form of Government Securities.

I must say, I think that in this case he has a right to expect all the facilities you can purchase with the interest of those securities.

But this you do not give him, and your Council call him an idle, shiftless fellow, who will not exert himself, but runs to Government for help.

I think your bullion importer has good ground to complain of this.

However, the main question now is, how to provide against a recurrence of these difficulties in future?

No doubt, a Gold Currency will do something, and we have sent you a memorial from very influential Native merchants here, asking for it.

But, unless more care is taken in managing your Paper Currency, Gold will only increase your difficulties.

You will think it a very local view of the case, but I cannot help feeling that your difficulties are greatly aggravated by your Financial Department looking at these questions with very imperfect information of what goes on here, where the great import of bullion is not likely to be checked for some time to come.

If you will send for Mr. Kellner he will tell you how badly the Accountant offices here are manned; and Mr. Gordon, who has just come here from Allahabad, tells me he is a loser of Rs. 200 per mensem by his transfer.

I feel sure you will never get a good Accountant officer here on the present rates of pay, and without a good Accountant officer you will be always in the dark regarding the largest and most sensitive bullion market in Asia.

MEMORANDUM on assumed causes of tightness in the Money Market at Bombay.

Bombay Explanation.	*Remarks by the Fiancial Department, Government of India.*	*Remarks by Sir H. B. E. Frere.*
The whole price of cotton has had to be paid for at once, instead of being deferred, as formerly, until the arrival of the cotton in England.	Knowing this, it was the business of the Bank of Bombay to gather up its resources, to meet the coming emergencies. How far this was acted upon will be shown further on.	This could not have been done without the gift of prophecy. The system of cash payments for cotton is quite a new one up country. H.B.E.F.
II. The Exchange Banks have run dry, their united cash balances at the Bank of Bombay last year being 3¼ millions against quarter of a million this year.	As this must have been occasioned by bad management, further remarks on this point seem unnecessary.	This is a sweeping charge, and begs the question. None of the Exchange Banks failed, and all made large profits. Whether they might not have done better is rather a question for their shareholders. The difficulties they were in is some proof that the Bank of Bombay was not alone in its trials. H.B.E.F.
III. The tardiness in the Financial Department to reinforce the treasury at Bombay with coin, and the selfish conduct of the Bank of Bengal in giving bills mostly drawn on customers of the Bombay Bank, so that the only effect was, that if the Bombay Bank discounted the bill it simply transferred so many rupees from the discount of customers A. B. to the account of the Government.	The first intimation of an approaching tightness in the Bombay market was made by the Accountant General, Bombay, in October. Relief was furnished to the extent of seven lacs by bills through the Bank of Bengal, and the mint was ordered to work extra hours. During the month of November the tightness continued to increase. The Accountant General, Bombay, was accordingly authorized to sell bills on Calcutta and other places, and remittances were made by bills from Calcutta on the Bank of Bombay to the extent of 30 lacs. Bills were sent in preference to cash, first, because they afforded relief more quickly than the despatch of coin by sea, and, secondly, because they cost less. The practice of replenishing the Bombay Treasury by means of bills had been largely used by Government on a similar occasion in 1863, and no objection was raised to this mode of relief until December 15th when, in reply to arrangements made for increasing the general Treasury balance by 40 lacs of bills from the Bank of Bengal, a telegraph came, saying coin and not bills was required. About the same time the Bank of Bombay telegraphed to the Bank of Bengal, saying, they could not cash five lacs out of forty, and requesting ten lacs to be sent round to them in silver. As the forty lacs proposed to be sent in bills consisted of bills which fell due day by day in January, the Bank of Bengal cannot be charged with demanding too much from the Bank of Bombay in expecting them to meet the requirements of Government.	A bill is a very useful mode of remittance, when you can get it discounted, but to send a bill on a constituent of the Government Bank, and then ask that Bank to discount it in silver, was a mockery. Be it remembered what was wanted was *coined silver*, not paper. The Bank could have discounted as many bills as the Government wished in currency notes which were a legal tender. But these notes would have at once gone to the mint, and would have broken down the Currency Department.
The sudden and unexpected withdrawal of deposits has already been referred to.	But it would appear that the Bank of Bombay never made any effort to provide funds from the pressure which they must have known would inevitably fall upon them. They neither gathered up their resources from without, nor husbanded those they had in their possession at the commencement of their difficulties. On an examination of the published accounts of the Bank, their loans appear to have continued at about four crores from 30th June last up to very nearly the present time. Possibly the Bank were not in a position to call in these loans, as many of them were granted on personal securities, and any attempt to sell them up might have led, in the depressed state of the market, to serious losses and embarrassment. But at least they should have endeavoured to keep what cash they had. Although the Bank's advances were at the extreme point of four crores, and local rates at the danger point of 10 and 11 per cent. in June last, the Bank sent 26 lacs to Calcutta from July to September, and even after the heavy drain of specie set in upon them early in October they continued to use their funds in	This criticism is not beside the question, inasmuch as it is the Government Currency Department which wanted silver coin, not the Bank, which had plenty of notes and as much coin, too, as it wanted for itself. But the facts are quite incorrect, as will be seen from the following statements. 19th September. Lacs. Cash and currency notes - 170 Liabilities: First-class deposits - - 243 Government deposits - 50 13th November. Lacs. Cash balance - - - 55 First-class deposits - - 144 Government ditto - - 49 The above figures will show the extent to which the Bank had gathered in its resources and the sudden and large claim it had to meet. The first-

Bombay Explanation—continued.

The greater portion of the Treasury balance was in copper and small silver coins, and was consequently of little or no avail to the Bank.

There is no mention of silver in the agreement. Notes and cash* (which latter is the word used) must be held to be one and the same thing. The Bank could have presented their notes for silver, but the question is, could the currency department have cashed them? The Bank is apparently blamed for having shown forbearance, and for not having added to the difficulties Government were labouring under by demanding silver for their notes.

Remarks by the Financial Department, Government of India—cont.

purchasing bills payable in Calcutta, and even when the Accountant General of Bombay went into the market and sold bills on Calcutta to reinforce his general Treasury balance, the chief buyers were the Bank of Bombay. Notwithstanding their available cash had gone down from 2 crores and 45 lacs to 1 crore and 18 lacs by the 11th November, and with heavy deposits due to the public, they sent to the Bank of Bengal bills purchased out of their diminished funds, nearly 8 lacs of which were supply bills of Government.

Since June last, Government have maintained in Bombay an average general Treasury balance of 54 lacs, while in Calcutta it was not over 78 lacs. The balance at Bombay has thus averaged 14 lacs in excess of the maximum balance to be kept under the agreement, and it should have been kept in silver, as a special reserve for Government, under Clause 3 of the agreement. That this important clause was not observed by the Bank is clear, from the fact that, according to the Accountant General's telegram of 21st December, there were only 6½ lacs of whole half-rupees on that date in the Bank, including those belonging to Government.

Remarks by Sir H. B. E. Frere—continued.

class deposits alone were reduced by a million sterling.

This seems to me the only thing like a blot in the late management of the Bank, which has been hit, and even this is beside the question, for it is the Government Currency Department which so nearly broke down, and not the Bank.

The Bank's answer would be something of this kind,—

"It was impossible to foretell that there would have been such a demand for money in October. In September the Bank had more money than they knew how to lay out.

"Every Bank in Bombay made the same mistake (if it is one), and all remitted heavily to Calcutta.

"The Bank did purchase the bills, because a profit could at once be made on the transaction. As the Bank can always sell its bills in the bazaar ¼ per cent. better than Government. An amount equal to the purchase was sold by the Bank immediately after."

But if this is not a satisfactory answer, it still does not excuse the Currency Department for needing the help which the Bank could not afford.

Extract from Letter from Sir BARTLE FRERE to the Governor General of India.

Mar Waee, June 15th, 1866.

We sent you, some days ago, a mass of papers about the Bank of Bombay. You can imagine the anxiety it has caused us, especially since I heard yesterday of the suspension of the Agra Bank, which will be a very severe blow to every bank and every house of business in Bombay. But we have done our best in giving the Bank of Bombay the most experienced and careful Directors we can, and all the moral and material support in our power, and we can only await the result. Much as the sailor feels, who, having made the ship as secure as possible, waits to see whether her spars or the force of the hurricane are the stronger.

I find I was mistaken in supposing that we had sent home last year a draft of a Bill for altering that part of the Bank Charter which permits advances on the shares of other than chartered companies. The Bill was drafted, and the letter sending it for Sir C. Wood's approval was signed, when we got a call from the Government of India for a detailed report on the past management of the Bank, and the submission of the Bill was in consequence postponed. Sir C. Wood had strictly cautioned us not to legislate without previous reference to him and his Council.

No harm has, however, been done by the delay, as I am assured that the Charter power to make such advances has been a dead letter during the past twelve months.

I own I am very adverse to legislation just now in the midst of panic and general alarm. The public are, I think, well assured that we have now on the Bank Direction got the best of such banking experience and honest management as is to be had in Bombay. The run which had commenced, not on the Bank of Bombay only, but on all our banks, more than a fortnight ago, was checked by the news that Government would support the Bank, but a worse time of trial is expected after next mail arrives, or early in July, and a feather might turn the scale against confidence, and cause a fresh run.

But if you must legislate, I think you had better let us do what is wanted *here*. The local legislature has, I believe, full power to do all that is needed, and local legislation will occasion less risk of groundless panic and alarm as to what may be intended.

But my chief reason for deferring legislation would be a wish to go more fully into a subject which requires more attention than it has yet received.

It seems to me that the whole system of the Government connexion with the Government Banks, both here and in Calcutta, requires looking into.

You have not as yet suffered in Calcutta, chiefly because the Bank is so fortunate in its Manager, Mr. George Dickson; but there was, as you are doubtless aware, much murmuring against the favour shown by Government to the Bank, at various times during the past five years, and there would have been more outcry, had not all been doing so well that none felt inclined to complain of the good fortune of his neighbour.

Here, in Bombay, during our days of prosperity, the history of our Government Bank was a very simple one. The shareholders were mostly interested in the export trade, and elected Directors from the partners of the export houses, instead of looking for banking experience. The then Secretary was anything but a judicious or cautious man, and the Chairman, Mr. Birch, who had been sent to us from Madras as our Accountant General, had the reputation of knowing more of practical banking than any man in the Indian service.

I cannot say I ever thought so, but he always seemed to me a very safe sort of man. However, between them they relaxed most of the byelaws which their predecessors had laid down for restricting the action both of the Chairman and Secretary, and did a very reckless and losing business.

Government were the last to hear of the mischief, for their Accountant General, who ought to have acted as watchman and guardian of the public interests, was, as we are now assured, the chief mover in the hazardous changes introduced into the Bank management. This will partially explain to you why I put in Colonel Marriott as a Director, instead of our Accountant General (for which, by the way, you found fault with us). I have no fault whatever to find with Lushington, our present Accountant General. But Marriott is very clear-headed and independent, and not easily put aside, and I wanted to know more of the Bank management than Lushington could tell me, and I could learn it much more easily from a Secretary to Government with whom I was in almost daily communication, than from the Accountant General, who, like all officers directly

* M'Culloch defines cash as "ready money, drafts, bills, bonds, and all immediately negotiable paper in an individual's possession."

under the Government of India, is apt to keep rather aloof from the local Government.

With, I believe, only two or three unimportant exceptions, all the Directors and officials of the Bank who had much to say to the mismanagement in the days of prosperity had gone when the crash came, just a year ago, and an almost entirely different set of men are responsible for the management since.

I do not think there is much fault to be justly found with what they have done. In their official letters the Government of India imply that the Bank should have "gathered up its resources" between July and November; but I think, when you see the figures, you will say that they did quite as much in this way as could have been expected. They might perhaps have sent more of their debtors through the Insolvent Court, but I much doubt whether they would have done anything in this way worth doing with a view to turn bad debts into good ones, The general impression here certainly is that a less forbearing policy would have added to the Bank's losses.

Upon the whole, with regard to the past, it seems to me that there has clearly been much bad management, but that it is, as in all cases when you deal with Boards, very difficult to fix any clear individual responsibility.

But with a view to making better arrangements for the future, the Bank's history during the past two years seems to me full of instruction.

In the first place, it seems to me to show that you ought to have only one Government Bank, instead of three, as at present. I do not know what are the serious difficulties, if any, in the way of amalgamation of the three Government Banks, or of, in some other way, concentrating your Government banking operations. But I am very sure that the time is come when you cannot much longer get on with three distinct and in some respects rival establishments.

Then your head quarters Bank parlour must be somewhere near your Chancellor of the Exchequer, so that he may personally know and be able personally to communicate with the Bank Managers, when necessary. I do not know how this is to be managed, unless you have your Officer of Accounts permanently, and your Chancellor of the Exchequer, for a part of the year at least, at Bombay or Poona. They must be at, or very near, one of the great trading centres. This puts Simla, Agra, Allahabad, or Lahore out of the question, and the choice lies between Calcutta and Bombay, which, for such a purpose, includes Poona. Bombay is rapidly becoming, if it is not now, the larger money market. It is, and always will be, the more sensitive, and the advantage of being a fortnight or even 10 days return post nearer London, seems to me nearly decisive.

In all matters of compiling voluminous accounts, which take long to concentrate at Calcutta and have then to be sent 1,200 miles back on their way to England, the advantage in point ef time will be even greater.

Then you must have only one channel of communication between the financial head of the Government of India, instead of a dozen as at present.

This evil is not so much felt with regard to the Bank of Bengal; at least, it used not to be when I was at Calcutta, and when there was no one between the Bank and Wilson (or Laing), unless he chose to act through the Financial or Home Secretary.

But it must be felt to some extent even with the Bank of Bengal when you are away from Calcutta, and here I wonder how the Bank of Bombay gets on at all with so many masters.

The Governor General and his Council of course have their say to it, and so have we here. The Accountant General's Offices and Currency Commissioners here, with the Government of India, at Simla, and at Calcutta, all criticise, and act too, in moving about and drawing away funds. Sometimes in a very embarrassing manner, and sometimes, but much more rarely and cautiously, the Home authorities interpose.

Even when there is no action, the advice tendered and the information asked for from authoritative quarters is often enough to embarrass the Bank. Two instances which have occurred since this last crisis commenced will illustrate what I mean. In one, we got an open telegram, to ask if it was true that the bank had lent 80 lacs of rupees (800,000*l.*) to one speculator who was named.

These open telegrams are too frequently divulged to others than the parties addressed, and no merchant who cares the least for secrecy ever telegraphs, if he can help it, except in some cipher-language. Had such a telegram as this become public, it might have done incalculable mischief.

In the other case, also, at the commencement of the present pressure, our advice was gravely asked as to the propriety of withdrawing the Government balances from the Bank of Bombay, in anticipation of a run. A somewhat similar suggestion was made in the December crisis.

You can imagine the difficulties of a bank management surrounded by so many physicians, and some of them capable of giving such foolish advice.

On these four points: (1) the necessity of having but one Government Bank; (2) of having its head quarters at Bombay; (3) of placing the Government control and connexion with it in one office, and not, as now, in half a dozen; and, (4) of having that office at Bombay or Poona, I believe that experience and further consideration will confirm the views I have expressed, but I need not at present discuss the mode in which the change should be effected.

Letter from Sir BARTLE FRERE to the Governor General of India.

Poona, 22d June 1866.

We have just received from you a telegraph about the Bombay Bank. I enclose a copy of it, and of our reply, for easy reference.

You ought ere this to have received a great mass of official papers about the Bank, and my letter of the 15th will have briefly stated how we stand, and what are my own views.

I really do not know what more we can send you, but if you will specify the information you require it shall be sent.

You can have daily returns of the Bank's state, such as we ourselves receive by post.

But reaching you by post at least a week or more after date, they will be of no practical use to enable you to advise, assist, or control our Bank management. A run would have broken the Bank, or been successfully met, before the latter was half way to you.

You say, "Send us such information as can be sent by telegram." We have tried daily telegrams from the Bank to wherever I happened to be, and the delays and mistakes were so numerous that we gave it up. They would, of course, be multiplied greatly over such a long line as that to Simla. There was, besides, the invariable risk of mischief from sending such information by open telegram. This, of course, and the mistakes, might have been avoided by using the cipher telegram, but the use of cipher telegrams is a serious addition to lines already so much overtasked.

I would note in passing that the inefficiency and uncertainty of our telegraph is a very serious aggravation of our commercial difficulties.

But I would beg you to consider whether any telegraphic information, even if ever so full, accurate, and punctual, can enable you usefully to control and advise, or even to assist, except on suggestions sent hence?

Even if you got daily by telegraph a statement as full as the weekly published return, what would it tell you of information useful for the Bank's daily management.

I need hardly tell you the important questions of daily management do not brook many hours' delay, and many of the data on which they are decided can hardly be adequately given in writing. Practically all such questions are dealt with either at the daily meeting of the Chairman and Secretary or a Board meeting, and the discussion is mainly oral.

I really believe that there is little or nothing which Government can do, either here, or at Simla, or Calcutta, or in London, except to keep a balance as large as possible in the Bank's hands, and to abstain from interference as much as possible, except at the Bank's request.

I believe this will be quite sufficient to keep the Bank safe, for we have got in all our revenue for the past season, and our treasuries are, at this time of the year, always at their fullest. We can support the Bank by simply not withdrawing our deposits, for which we have no immediate use.

But, as I told you in my last letter, what the Bank has to fear is not what the Government may do here on the spot, but what may be done by any one of the many people who have more or less to say to your Account, Finance, or Currency Departments here, at Simla, in Calcutta, or in London.

If orders are telegraphed, as has, I am told, been frequently done, from Simla or Calcutta, in the name of the Government of India, without notice to us or any

one else, to transfer large sums of many lacs of rupees from the Government reserve in the Bank's hands to the Currency Department in the Mint, any amount of mischief may be done in a time of panic like this. We have occasionally interfered, to stay compliance with orders of this kind, but, with the present system, the mischief may any day be done before we have time to hear or interfere.

As for practical suggestions to prevent evil for the present time, I can only advise that you should enjoin on your Finance and Account and Currency Departments, both at Simla and Calcutta, to issue no orders of importance to their representatives at Bombay, especially regarding the movement of cash or funds, without previous reference to the local Government, or at all events to send their orders through us.

As a permanent arrangement, as I have before submitted, the head quarters of all these Departments ought to be here, and I would earnestly commend this change to your consideration before some serious calamity happens, consequent on the distance and multiplicity of controlling and influencing authorities.

Whether at Simla or Calcutta they are as far from Bombay as London is from Naples, or Paris from Memel, and the means of communication are in India so much more tedious and uncertain as in effect to double the European distance. Just imagine a Neapolitan bank controlled from London, or, to make the comparison clearer, a Liverpool or Glasgow bank controlled from Naples.

We got a telegram from the Secretary of State a few days ago, opening a small credit on behalf of the Comptoir d'Escompte of Paris, and to-day another, rather mutilated in transit, which, as far as I can make out, authorizes us to advance 90 per cent. on Government securities deposited with the Secretary of State. You shall have a copy as soon as we have got all the correction we can obtain from Kurrachee. I mention this to show you that we may have large and expected demands on us.

The Bank return yesterday showed a slight improvement in deposits, but very serious fears are entertained both for Jamsetjee Jejeebhoy's sons and Premchund Roychund. The failure of the former would imply ruin to half the Parsee, and the latter to half the Banian community, and every exertion is being made by their friends, European and Native, to tide them over; but, unless cotton rises, I fear both must go.

Extract from Letter from Sir BARTLE FRERE to the Governor General of India.

Bombay, 10th December, 1866.

I send with this, for ready reference, some papers about our Bank. I really do not know what more we could send. The story is a very clear and simple one. Having doubled their capital, the Bank Directors ran a race with others as reckless as themselves, in bidding for custom, and lent out their money on bad security, and no security at all. They had a rash and incompetent Secretary (Blair), and the Accountant General (Birch), to whom we should naturally have looked for advice or warning, was Chairman, and gave us no notice whatever of anything calling for notice or check. Partly from failing health, and partly from his equivocal and anomalous position—nominally the servant of the local Government, but really looking mainly to the Government of India as his immediate masters—he kept aloof from us very much, and left us, to return to England, as did Blair, without a word of warning. The crash came, and found the Bank with a safe full of securities, which have turned out hardly worth the paper they are written on, some of them, indeed, worse than worthless, for their possession has rendered the Bank liable for calls.

Since Blair and Birch went, and since our attention was directed to the Bank's affairs, I believe the Directors have honestly, and not unwisely, done their best to get out of the mess the Bank was in. They have lost half their capital, and have asked leave to write it off. All the Directors are changed, and they have just sent for Mr. John Stuart, an old secretary, who managed the Bank with great prudence for many years. I really do not know what more can be done.

I would have urged making a public example of the men who did all the mischief, but in the midst of all the distress they have caused, I have not yet heard any imputation on their good faith. They made ducks and drakes of the Bank's money, as they did with their own and their friends', but when almost every considerable trader and money lender, individuals and firms alike, has done the same, with very few exceptions, and when nothing worse than sharing the prevalent rashness and folly is imputed, I do not see the use of prosecution for the punishment of folly.

But if any further inquest is to be held, I think you had better send some one quite unconnected with Bombay, or even India to make it. Any further inquiry we could make here, and, I believe, any you could have made by people from Calcutta or Madras, would do nothing but tell us what is already known, and be no more productive of pratical good than an inquiry into the South Sea Bubble.

Telegram from Sir BARTLE FRERE to the Governor General of India, dated 22d February 1867.

This Government requests immediate answer, by clear line telegram, to letter regarding renewal of Agreement with Bank of Bombay, as recommended by this Government.

Extract from a Letter (private) to Sir J. LAWRENCE.

Bombay, 23d February 1867.

I had for some weeks been rejoicing in the sense of security regarding Bank affairs which was imparted by the return of our old and trusted Secretary, Mr. John Stuart, when I received, yesterday afternoon, quite unexpectedly, intelligence of a steady run, which had for some days been preceded by gradual withdrawal of deposits, amounting altogether to about a crore in ten days.

With my colleagues, Messrs. Ellis and Erskine, I met Mr. Stuart and the Government Directors (Messrs. C. Chapman and Norman) in the evening, and the result was my telegram to you in part cipher.

Besides the withdrawals usual for trading purposes about this time, it seems that confident rumours, founded on supposed telegrams from Calcutta, were in circulation to the effect that you had decided against renewing the agreement with this Bank, which was thereupon to shut its doors, even if it reopened them under another constitution. These rumours were much aggravated in effect by the persistent misrepresentations of the "Friend of India," whose utterances are always believed by the unofficial public here to have more or less an official foundation, and by the supposed intention of the Bank of Bengal, after opening branches in the Central Provinces and the Punjab, to open one in Bombay. Mr. Stuart, however, believed the alleged telegrams to be simply fictions, invented by those who wished to "bear" the Bank shares. They had varied Rs. 300 in a few days.

He agreed with the Government Directors, that an authoritative contradiction of the rumour would restore confidence; but this contradiction we could not give without previous reference to you, hence my telegram.

Your answer will, I hope, enable us to restore confidence. I feel great trust in Mr. Stuart. He is of the same sound school as Mr. George Dickson, and has quite sufficient ability, combined with firmness and honesty, to do all that is possible to retrieve past errors, and I hope you will have less anxiety about our Bank than we have had of late.

But your Financial Member of Government, and all your Financial advisers, ought, I would respectfully submit, to know more of this very sensitive money market than they do. The place is now as big as two Glasgows. Lyons and Marseilles rolled into one would hardly equal it in either population or trade, and it is daily growing at a rate I have never seen equalled; while the "Friend" is singing dirges over its ruin, and while many of its great traders are ruined, and more embarrassed, I have never seen the ordinary trade and movement of Bombay so brisk. There are few better tests than private building, and while a few of the would-be-palaces are standing still, there is quite as much private building of houses, from hucksters' shops up to houses worth 20,000*l*., as during the American war; and there are many signs that the briskness is that of a sound trade.

How much of all this, of its springs and effects, Mr. Massey and your other Ministers know, you can tell better than I can. I only know that I can hear of no inquiries from Calcutta addressed to our Government or Bank officials, nor our Chamber of Commerce, or great mercantile houses, so that any information before you is likely to be to a great extent second hand.

I wish you would come and see and judge for yourself.

We are a little better off for houses in Poona than when Maine was here, and had I been remaining I would have engaged to put you up, so that you and your family would not have complained of bad accommodation from June to November in Poona, or from November to March here.

April to June are still difficulties for a very large Court like yours. We have plenty of good climate for an Indian hot season at Matheran, Egutpoora, Khandalla, within five hours of Bombay, and better still, 24 hours further off, at Mahableshwur, but very rough accommodation.

But I would have engaged to put up Mr. Massey very comfortably for the whole year, or as long as he could stay; and I think there is much to be learnt in Bombay which he will hardly see elsewhere.

However, I fear I shall be able to do little to further such plans, except by distant advice, which a year hence will be growing obsolete; though old or new it is always at your command, as I hope you need no assurance from me.

Letter from Sir BARTLE FRERE to the Governor General of India.

Bombay, 1st March 1867.

What has been done to support the Bank of Bombay since I wrote to you on the 23d February you will have learnt from our official telegrams and letters. The run which had commenced has been stopped, but the Bank is not in a position to do any effectual business. It may last for the next twelve months, as it has done for the twelve months past, propped up by Government and by others who are aware how much mischief might follow its failure. But a working, useful Bank, it cannot be, unless it be entirely reconstructed. This is the opinion of Mr. John Stuart, the old secretary, who, after several weeks trying to put life into it, is obliged to confess that the attempt is hopeless without a reconstitution, or a call on the shareholders, which, just at present, is out of the question.

Under these circumstances, the Directors have proposed to make overtures to the Bank of Bengal to take over the business of the Bank, and its recoverable capital, and to become, in fact, a branch of the Bank of Bengal. I confess I do not see any other solution of the difficulty, which is not open to greater objections. The Directors of the two banks will, of course, discuss the terms of any amalgamation. All the people here desire is to know, if possible before the 12th, when they have a meeting of shareholders, whether the proposal is approved by the Government of India.

Mr. Erskine has doubts of the sound policy of a single State Bank for all India, which will be the probable result, but he sees no alternative.

My other colleagues agree with the Directors.

Letter from Mr. RUSTOMJEE JAMSETJEE JEJEEBHOY to Sir Bartle Frere, referred to in his foregoing Letter of the 15th June 1865 to the Governor General.

Bombay, 13th June 1865.

I need not tell you that commercial matters in Bombay are at present in a state of great jeopardy, distrust prevailing everywhere, and business is nearly at a standstill, because cash payments are almost suspended.

I understand that the Bank of Bombay have written to Government asking aid in this season of difficulty, and have suggested that this assistance should be given in the shape of an assurance on the part of Government that a crore to a crore and a half of currency notes shall be placed at its disposal, if required by the Bank of Bombay, upon the security of the assets of the Bank. The object of my troubling you in this matter is to express my earnest hope that you will give this proposal your serious consideration. I believe that if it were only known that Government was ready to come forward in this way to relieve the existing pressure, the very knowledge of that fact would produce confidence, and Government would, in all probability, have to advance but a small portion, if any, of the sum applied for.

As things stand now, there may be on any day such a sudden panic, and consequent run upon the Bank of Bombay, on the part not only of the public but also of the many banks who keep their deposits of spare cash there, that the Bombay Bank may be placed in a very inconvenient position, and the consequences will be very disastrous.

I believe that even if the advance is made by Government to the full extent required, the sum will soon be repaid, as a healthy trade may be expected as soon as the present crisis is past. I may also mention that I believe that a great deal of hoarding of notes and rupees is now practised in the bazaar, many of the dealers being afraid to invest their surplus funds; but if it becomes known that Government is coming to the rescue, much of this hidden property will see the light, and be thrown upon the market. Much money is also locked up for the present with the view of providing for the purchase of shares after the 1st July, and hence circulation is for the present greatly impeded.

I think it only proper to state, before I close this, that I have no personal interest to serve in writing to you on this matter, for I am thankful to say that I am free from any engagements in time bargains in shares, which will be the ruin of so many in this place.

RUSTOMJEE JAMSETJEE JEJEEBHOY.

His Excellency
Sir H. B. E. Frere, K.C.B., Poona.

P.S.—I have sent a copy of this letter to the Honble. Mr. Ellis.

Yours obediently,
R. J. J.

Letter from Mr. Ralli, referred to by Sir Bartle Frere in his foregoing Letter to the Governor General of the 22d June 1865.

Bombay, 17th June 1865.

My dear Mr. Ellis,

Shall I apologize for intruding myself upon your precious time with these few lines? I hope, even if you will think so, that you will excuse me, and in any case, if you find that the subject of this letter is not worthy of your attention, please throw it into the fire, and let not a word be said about it.

Do you remember the conversation we had at your bungalo in Bombay two months ago on the state of the share market and the monetary affairs in general of the place? I do not remind you of the circumstance in order to prove to you that I was a good prophet, because what has occurred since and is going on has surpassed even my forebodings, but I only refer to this conversation as an introduction to the subject-matter of this letter.

The newspapers and public report so amply inform you of the state of affairs in Bombay at the present moment, I need not recapitulate. I am only sorry to add, that we have not seen yet the *worst*, and that in the course of the next three or four weeks I am much afraid that a general ruin, involving the three fourths of the inhabitants of Bombay, either Natives or Europeans, will be witnessed.

It is the consequence of the previous prevailing wild speculation, and no human help can be afforded. Neither the Government nor individuals, or any propositions or schemes, can afford relief to those who irretrievably have become insolvents; they must suffer the consequences of their folly, and the quicker this takes place the better for the general public.

But, unfortunately, the legitimate trade of the Presidency is so much interwoven with the present state of the share market, that I think, if no helping hand comes to the rescue, this trade will have to suffer immensely, and all the benefits obtained during the four years that the American war has lasted will be totally lost.

I am perfectly aware that Government cannot and must not interfere in private matters, nor any lasting good can be derived even if they had the power and inclination to interfere; materially speaking, affairs must be left alone to take their regular course, and after the collapse we shall be again into smooth water.

But the present state of affairs is quite unprecedented; it threatens to involve all Bombay into a general ruin, and for this reason I consider that Government is bound to interfere, and afford its *usual* support, by adopting whatever measure it will think proper for the maintenance of the *credit* of the only public institution we have in Bombay, I mean the *Bank of Bombay*.

I know that the powers of the Government in the constitution of this Bank are very limited, but there is one which, if properly exercised at the present crisis may be of a great benefit and advantage to the pu-

and may contribute materially to the re-establishment of that confidence of which we are so much in need.

It is not fair nor wise, without a fair knowledge of all the circumstances, to condemn the management of the Directors of the Bank of Bombay; it is evident, however, that they also, unfortunately, were carried by the general infatuation of last year, and not the less by the then prevailing influence of the *Native element*, and have exhausted the means of the Bank in giving *credit* to parties who were not entitled to obtain, and in advancing money on securities of a very unsound character; this liberality has brought them to the present stress, and the Bank now finds itself, if not in peril, most certainly in the most uncertain and precarious position.

The uncertainty of the affairs of the Bank of Bombay contributes not a little to the mistrust and confidence which predominate during the prevalence of a commercial and financial *crisis*, and in this instance much more, because the public have lost all confidence to the present Directors of the Bank.

The Government Directors of the Bank of Bombay, who at present are only two instead of being three, are men of integrity and high standing, but they are not men of business, nor can their various occupations allow them much time for the affairs of the Bank; naturally enough, in questions of *credit*, they must follow the opinions and appreciations of their fellow elected directors, and the consequence has been that this institution has been brought into its present abnormal position.

It would have been, therefore, advisable, and in my opinion very beneficial, if the Governor would and could take the initiative by replacing the present Government Directors with three independent merchants of Bombay, who are totally free of any transactions in the share market, or are promoters of land companies and other undertakings. Such a measure, well explained and well understood, I am confident will have a very good effect on the public mind, and will be also very beneficial to the Bank itself.

I took the liberty, my dear Mr. Ellis, to express myself very freely, but I hope you will appreciate and give justice to my motives. I am a foreigner in Bombay. I have no personal ambition, nor am I interested in any way. We came here as regular merchants, and as such we cannot but see with dismay and regret that the legitimate trade of the Presidency should collapse and retrograde for many years to come.

Believe me, my dear Mr. Ellis,
The Honourable H. B. Ellis, Yours sincerely,
&c. &c. &c. A. T. RALLI.
Poona.

Letter from Mr. RUSTOMJEE JAMSETJEE JEJEEBHOY, referred to by Sir Bartle Frere in his foregoing Letter to the Governor General of the 22d June 1865.

Dear Sir, Bombay, 18th June 1865.

As your Excellency is already aware, I am myself interested in no time bargain transactions in shares, &c. I think the only course now left to save the commercial reputation of Bombay is by asking the Supreme Government to pass the Time Bargain Bill into law at once.

I need hardly put forward any reasons for making this suggestion; suffice it to say, that I feel fully convinced *now* of the urgent necessity of some such measure being speedily passed, say before the 1st July next.

Assured as I am of the great interest which your Excellency and your able colleague in Council take in the welfare of Bombay, I am emboldened to write you in the belief that there is still time to save the Presidency over which you so ably preside from a complete wreck.

I send this letter by a special messenger.

I remain, &c.
His Excellency RUSTOMJEE JAMSETJEE JEJEEBHOY.
Sir H. B. E. Frere, K.C.B.,
&c. &c. &c.
Gunnesh Khind.

Telegram from the Government of India, dated 20th June 1866, referred to in the foregoing Letter of the 22nd June 1866.

[redacted]We hear of the rapid decrease in the value of Bom[redacted]y Bank shares, and are still without any information as to the affairs of the Bank. We wish, if possible, to support the Bank, to maintain public credit, and to prevent alarm, but we can take no steps while we are in ignorance of the condition of the Bank. We must insist on such information as can be communicated by telegram, to be followed immediately by a full official report.

Reply to the above from the Government of Bombay, despatched on the 22d idem.

Full details of past affairs of Bank ought to have reached you ere this. Of current affairs no details by telegram would give useful information on which you could act with good effect. Crisis in England coming with fall in cotton, and such failures as Agra and Commercial Banks have destroyed confidence, and business is suspended. From 13th to 19th current deposits decreased 44 lacs; they increased 3 lacs on 20th; if Government reserve is kept up, Bank will, we hope, meet all liabilities. You can have daily return of Bank's state if required; but this Government earnestly represent the risk of your acting on information necessarily imperfect and liable to errors; and would strongly recommend no active steps be taken except on suggestions from this; and especially that Government balances in Bank be not reduced beyond imperative necessity.

Important words in both telegrams in cipher.

Copy of Exhibit marked **A 189.**

India Office,
Dear Sir Bartle, March 3, 1865.

I cannot help being in some alarm at the possibility of a crash in your Bombay speculations. We hear of disagreeable rumours, and after the way in which they have been going on I am afraid that it is too probable.

Pray look after your bank and currency matters. We must stand clear; but I would send for your Government directors in the Bank, and desire them to look very carefully into what the Bank is doing, and to keep you informed.

Yours truly,
Sir H. B. Frere, K.C.B., C. WOOD.
&c. &c.

Copy of Exhibit marked **A 190.**

India Office,
Dear Sir Bartle, May 18, 1865.

Pray desire your Government directors to look after the Bank's proceedings.

Their advancing on shares, such as you have at Bombay, is contrary to all banking principles.

It would be contrary to the charters of the banks of Calcutta and Madras. Unfortunately not so as to Bombay; but it is not the less wrong.

Yours truly,
Sir H. B. Frere, K.C.B. C. WOOD.

[Letter of 15 May 1865 from manager of Agra and Masterman's Bank enclosed.]

Copy of Exhibit marked **A 191.**

Extract letter from Sir John Lawrence to Sir Bartle Frere, dated 4th June 1866.

We are all very anxious about the stability of the Bank of Bombay, and very well disposed to support it as far as we can possibly do so with due regard to the public interests. We can quite understand why you have not taken measures to reform its constitution, and put it on a sound basis, in the present critical state of affairs in Bombay, but we think that you might still have a full and careful inquiry into the real conditions of the Bank, so as to enable us to judge how we should act; the result of such inquiry to be kept as secret as possible. At present we are quite in the dark as to the actual solvency of the Bank. I am afraid that the extraordinary depressed price of cotton, and the depressed state of mercantile affairs generally in England, must react very seriously on Bombay, and that we must anticipate some large failures.

Copy of Exhibit marked **A 192.**

Extract letter from Sir John Lawrence to Sir Bartle Frere, dated Simlah, 20th June, 1866.

We are most anxious regarding the state of the Bombay Bank, and our anxiety is much increased from your not giving us any account of its real condition. If we are to help you in tiding over the present crisis, you must make us acquainted with the actual state of the Bank's affairs. At present we know nothing beyond what we can gather from the newspaper reports, which, of course, are not very reliable.

Copy of Exhibit marked **A 193.**

Extract letter from Sir John Lawrence to Sir Bartle Frere, dated Simlah, 28th June 1866.

I am very glad to hear that the Bombay Bank is so well in hand, and that everything which circumstances admit of has been done to meet the gale which is still likely to burst on Bombay.

We are quite willing that the change in the charter of that bank should be made in your legislature. We very unwillingly made up our minds to do the work when we despaired of getting your Government to act. What we now desire is that the change should be made at once; we think that, if the measure be introduced, with a statement that no such business as that which it is proposed to prohibit has been allowed for some time, and an assurance of Government support be also declared, the general effect will be to add to the confidence now existing in the stability of the bank.

What we feel here is that we allow pledges to be given in support of the Bank of Bombay, which has been carried on for some time on unsound principles; we may therefore be seriously compromising the finances of the state, and have been kept in ignorance of the real condition of the Bank's affairs. We therefore desire both to be put in possession of the exact state of the Bank, and to have the system on which it is carried on at once so altered that no one can allow matters to revert to the old system without incurring the penalties attached to an infraction of the law.

I have been looking over the different despatches from the Secretary of State regarding the modification required in the bank charter, and can find nothing which amounts to a caution against legislation without reference to him. Moreover, if you considered a reference was absolutely necessary, surely you ought to have made it long ago, and not delayed because we had asked for certain information regarding the management of the bank. As the case stands, you neither made the reference to the Secretary of State, nor gave us the information asked for.

As to the instructions of the Secretary of State on the point under discussion, the despatch No. 71 of the 8th September directed that *measures should be taken for effecting the necessary change* in the Bank's charter. The despatch of the 2nd June 1865 directs us to take *the earliest opportunity of restricting the business of the Bombay Bank*, and those instructions, issued before the last crisis, and after a derangement of the Bank's affairs consequent on the transaction of unsound business, evidently contemplated legislative measures, the last paragraph of the letter saying that in the meantime checks, such as these contemplated, being carried out through the directors. The last despatch on the subject, that of the 24th March 1866, certainly does contemplate a report, but also fully admits that *decided measures* are required

While you say that you are averse to legislation just now, you tell me that your main reason is that you are in favour of large changes, whereby the three presidential banks shall be incorporated into one concern to be located at Bombay or Poonah. Now, I do not think it would do any good to enter into such a question, the effect of which would simply be to postpone indefinitely a very simple but important change which we desire. It is not so much the public that we wish to satisfy, though this is of importance, but that we require the change for our own satisfaction as responsible for the general finances of India.

There is only one other point in your letter to which I will advert, and that is to Colonel Marriott's nomination as director of the Bombay Bank. I have not the papers by me to refer to, but my impression is that the Government of India did not object to his appointment, but to the non-appointment of the Accountant General of Bombay. If I recollect right there were *two* vacancies in the direction for the Bombay Bank, to which you appointed Mr. Norman, the collector of Bombay, and Colonel Marriott, thus leaving out the Accountant General, the officer to whom the Government of India looks as its representative; the officer who, under the old standing orders from the time of the Court of Directors, ought to be one of the directors. Had you appointed him and Colonel Marriott to the two vacancies, doubtless, no objection would have been raised.

I have not yet seen the official report of the condition of the Bank of Bombay, it being still with the Financial Department.

Copy of Exhibit marked **A 194.**

Extract from a letter from Sir Bartle Frere to Sir Charles Wood.

Private and confidential. Poona, July 7th 1865.

I hope my telegram of the 4th will have assured you that the worst of the crisis in the Bombay money market is passed. I enclose copies of my letters to the Governor General, giving him such information as I thought he would care to have regarding our Bank, and I hope it will not be necessary to send him any more bulletins.

It remains to ascertain the extent of the mischief done, and who is to be blamed, and time is necessary before we can get a satisfactory answer on either point.

It is possible that some of the debts, which at present promise badly, may turn out better than is expected, but under the most favourable circumstances possible the Bank must lose heavily, and I fear that there can be no doubt the majority of their losses must be set down to the very bad management of the past year. The Bank directors have advanced largely to men who were known to be speculating to a dangerous extent; "to be buying," as the phrase is, "for money," and "selling for time," and in this respect, and in their advances on unguaranteed shares, the losses would have been far heavier had not the warning you gave me enabled me to put our Government directors on their guard.

There is to be a meeting of shareholders soon, at which it is probable much will be stated which will help us to ascertain who is to be blamed, and till we receive the report which we have called for from our present Government directors I can only state my general impressions. The secretary, on whom so much depends, was certainly not competent to manage so important a bank in such times. The Bank directors present were second-rate men,* overwhelmed with affairs of their own, and too much of one clique. The European directors certainly did not control their native colleagues as they ought to have done; but I have as yet heard of nothing worse than want of weight and power. Mr. Birch, the Government director, is much blamed by the popular voice as a great advocate for looking mainly to personal security in place of something more tangible, but without further data, such as his successor's report will furnish, I cannot tell how far this charge is warranted by facts.

Copy of Exhibit marked **A 195.**

Extract from a letter from Sir Bartle Frere to the Secretary of State for India.

Private. Poona, October 28th, 1866.

We have had infinite trouble lately with the Bank of Bombay and the Back Bay Reclamation Company. The former is suffering from grievous mismanagement during the share mania two years ago, which cost it half its capital. We have since changed all the directors, amended their charter, and the bank might, I believe, do very well for the future, but the Government of India sees through the spectacles of the Bank of Bengal (which has been admirably managed, but which is still a rival bank), is not satisfied, and calls us to obtain and send by post the names and all other particulars regarding all the Bank's customers who are under advances to the Bank. We demur to ask the Bank for information which no solvent bank ought, we think, to give, and the communication of which ought to be followed by the withdrawal of all custom from the Bank. We have asked the Government of India, if they want more inquiry into the past, to nominate in-

* Foot-note added by Sir Bartle Frere on the 22d January 1869: "This refers of course to banking experience only."

dependent commissioners to inquire here; but as nothing has ever been charged against the directors worse than the almost incredible mismanagement, folly, and extravagance from which so many banks have suffered at the same time in their rivalry for custom, and as the directors and secretary of that day have all left, I hardly see the use of further inquiry.

Extract from Exhibit marked 1, produced by Mr. R. V. Hearn.

Business of the Bank.

XXXIII. The said Bank of Bombay, as re-incorporated and re-constituted under this Act, may and is hereby authorized and empowered to carry on and transact the business of banking in all or any of its branches, save so far as herein otherwise provided, and in particular the kinds of business herein-after specified, but shall not engage in, carry on, or transact any adventure, trade, or business other than that of banking in all or some of its branches; and the particular kinds of business which the said Bank is as aforesaid hereby expressiy authorized and empowered to carry on and transact shall be as follows:

1st. The advancing and lending money on Government securities or on the security of shares in any of the incorporated Indian railway or other public companies in India.

Copy of Exhibit marked **B 1.**

No. 2,741. Bank of Bombay,
1861. Bombay, 20th June, 1861.

To Messrs. Rimington and Kelly, Bombay.

Gentlemen,

With reference to enclosed copies of the charters of the Banks of Bengal and Bombay, I am directed to request that you will revise the charter of the Bank of Bombay, assimilating it as closely as possible to that of the Bank of Bengal, embodying the proposed alterations, and making provision for power to the Bank to increase the capital to Rs. 2,10,00,000.

I am, Gentlemen,
Your obedt. servant,
JAMES BLAIR,
Secretary and Treasurer.

I shall be glad to see you, in reference to the above, when you can conveniently call at the Bank, before 4.30.—J.B.

Copy of Exhibit marked **B 2.**

Herewith is left a copy of the Act by which the Bank of Bombay was established This was amended by Act 21 of 1854.

It is now proposed to make some further alterations in their Act, with a view to entering hereafter into some arrangement with Government for taking over the management of the Treasury. The Directors of the Bank of Bombay have been in communication with the Directors of the Bank of Bengal, and have obtained from them a copy of their charter with such alterations therein as they wish to have. The Directors here have considered these alterations, and wish that their own Act should be similar to that of the Bank of Bengal.

Counsel, therefore, is requested to modify the existing Act according to the alterations made in the Bengal charter; and we would draw his attention to the following points in doing so.

It will be necessary by the preamble to repeal the Acts 3 of 1840, and 21 of 1854, but at the same time to keep alive existing liabilities and privileges.

The Directors are to have power from time to time to increase their capital to a sum not exceeding Rs. 2,10,00,000, by the issue of new shares of Rs. 1,000 each.

There are to be ten Directors, four of whom are to be nominated by Government.

With regard to the description of business to be transacted by the Bank (s. 25), the Bank of Bengal wished to have power to deal in exchanges; but on reference to the document herewith sent, No. 3649, it will be seen, by paragraph 1 of the memorandum, that Government decline to allow such a power generally, but are prepared to allow it in a modified form. Counsel is requested to prepare this clause in such a manner as will meet this modified form.

The arrangements which may hereafter be come to with Government for taking over the management of the Treasury will be carried out by some separate deed; Acts 19 and 24 of 1861 provide for this. But in preparing the draft, counsel is requested to insert such words as may make it clear that the Bank under its new constitution will have power to make the arrangements contemplated by Act 24 of 1861.

It is proposed that the internal management of the Bank should be carried on subject to byelaws; and the new Act must give the Directors power to make byelaws and alter them from time to time.

Extract from Exhibit marked **B 3.**

XXIII. The said Bank of Bombay, as re-incorporated and re-constituted under this Act, may and is hereby authorized and empowered to carry on and transact the business of banking in all or any of its branches, save so far as herein otherwise provided, and in particular the kinds of business herein-after specified; but shall not engage in, carry on, or transact any adventure, trade, or business than that of banking in all or some of its branches; and the particular kinds of business which the said Bank is as aforesaid hereby expressly authorized and empowered to carry on and transact shall be as follows:—

1st. The advancing and lending money on Government securities, or on the security of shares in such of the incorporated Indian railway or other public companies in India as hold a guarantee from the Government with regard to the payment of dividends or interest; provided that in the case of shares in such railway or other public companies, no such loan shall in any case exceed in amount three fourths of the paid-up value of the shares on the security of which such loan is made; and such Government securities and shares shall be endorsed or transferred to the said Bank absolutely or by way of mortgage.

Act XXI. of 1854, s. 2.

See sect. 23 of former Act.

Extract from Exhibit marked **B 4.**

Business of the Bank.

XXXIII. The said Bank of Bombay, as re-incorporated and re-constituted under this Act, may and is hereby authorized and empowered to carry on and transact the business of banking in all or any of its branches, save so far as herein otherwise provided, and in particular the kinds of business herein-after specified, but shall not engage in, carry on, or transact any adventure, trade, or business than that of banking in all or some of its branches; and the particular kinds of business which the said Bank is as aforesaid hereby expressly authorized and empowered to carry on and transact shall be as follows:—

1st. The advancing and lending money on Government securities or on the security of shares in any of the incorporated Indian railway or other public companies in India, ~~provided that such Government securities and shares shall be endorsed and transferred to the said Bank absolutely or by way of mortgage.~~*

As to this proviso, I inserted it as being contained in the former Act. I should, however, suggest that the Bank should have the power of lending on mere deposit of securities without endorsement or transfer. By becoming endorsees or transferees they *may* render themselves liable as contributories to some company in course of winding-up, and this even though they are mere mortgagees.

J. P. G.

* Struck out 8/11/61.

Extract from Exhibit marked **B 5.**

XXIII. The said Bank of Bombay, as re-incorporated and re-constituted under this Act, may and is hereby authorized and empowered to carry on and transact the business of banking in all or any of its branches save so far as herein otherwise provided and in particular the kinds of business herein-after specified, but shall not engage in, carry on, or transact any adventure, trade, or business than that of banking in all or some of its branches; and the particular kinds of business which the said bank is as aforesaid hereby expressly authorized and empowered to carry on and transact shall be as follows:

1st. The advancing and lending money on Government securities, or on the security of shares in ~~such~~ of the incorporated Indian railway or other public companies in India, ~~as hold a guarantee from the Government with regard to the payment of dividends or interest, provided that in the case of shares in~~

Act XXI. of 1854, s. 2.

See sect. XXVIII. of former Act.

~~such railway or other public companies no such loan shall in any case exceed in amount $\frac{3}{4}$ths of the paid up value of the shares on the security of which such loan is made~~, and such Government securities and shares shall be endorsed or transferred to the said Bank absolutely or by way of mortgage.

Copy of Exhibit marked **B 6.**

Dear Sir, 27th November 1862.

We beg to acknowledge the receipt of your letter of the 24th instant, with its enclosures, having reference to the form of the draft of the new Act.

As instructions to counsel to prepare a new Act, we laid before him a copy of the existing charter. On examining this with care, it was seen that it was drawn in a somewhat loose manner, and certainly was not in accordance with the phraseology of the present day. The advantage of following the existing forms is, that if any question should hereafter arise upon the construction of any clause of the charter, you would possibly have the advantage of some decision in the English courts. We therefore determined that the draft should follow to a great extent the phraseology of the English Joint Stock Companies Act; but the order of the clauses is almost the same as in the existing charter.

For the reason above stated, and because the draft is more comprehensive than the existing charter and than the Bengal Act, we would recommend that the draft should be adopted; we would add, as a further reason for adopting the draft, that it has obtained the approval of the Governor General of India, and that if any extensive alteration is made in it, some delay might arise in referring it back to Calcutta.

If it should be considered desirable, we can speedily make the draft in accordance with the Bengal Act.

On perusing the Act for the Bank of Bengal, we find that there are a few words which might beneficially be introduced into your draft before it is submitted to the Legislative Council; but they effect no material alterations in the draft. For instance, the clause providing for auditors should be inserted.

We beg to return you the draft bill for the Bank, and the official letter from Government, and are

Yours truly,

John H. Ryland, Esquire, Bank of Bombay.

KELLY AND HORE.

Exhibit **C 1** comprises Government records of the Financial Department, Bombay. Some of them relate to the Bank of Bombay, but are not of sufficient importance to be here printed.

Extract from Exhibit marked **C 2.**

India Office,
London, 10th June 1863.

Financial.
No. 103.

To His Excellency the Right Honourable the Governor General of India in Council.

My Lord,

Para. 1. I have received your Financial Letter, dated the 2d January 1863, No. 1, replying to my Despatch of the 16th September last, No. 158, relative to the measures adopted by you for transferring the Government Treasury business to banks, and for the introduction of a Government paper currency into India; and I have also received your Financial Letter, dated the 15th April last, No. 46, forwarding minutes by the several members of your Government on the same subject.

2. I have carefully considered in Council your observations in reference to the arrangements which you have made, for the employment of the Bank of Bengal and its branches in connection with the issue and circulation of notes; but the perusal of them has not removed the objections which I have always entertained and expressed to such employment of the Bank.

3. A great defect of your arrangements is, that no adequate security is provided for the convertibility of the notes, especially in parts of India distant from Calcutta, although it is certain that the most complete confidence on this point is indispensable to the success of the circulation of the Government notes.

4. I pointed out, in my former despatch, that your having relieved the Bank from the necessity of holding one fourth of its liabilities, payable on demand, in specie, necessarily diminished the coin available for the convertibility of the notes.

5. Your arrangements have, however, a further tendency to diminish the coin available for the conversion of notes; for the explanation contained in your Despatch of the principle on which the payment of three quarters per cent. is to be calculated, shows that the Bank has every inducement to hold as little coin and as large an amount of notes as possible in its reserve. You state that the three quarters per cent. is to be paid on all notes for which the Bank has given bullion or coin. It will be payable, therefore, on all notes kept in reserve by the Bank, whilst, on coin so kept, it would of course receive nothing. It is obviously, therefore, the interest of the Bank to keep notes, and not coin, in its reserve.

6. With respect to the branches of the Bank of Bengal, the duty of cashing the notes is not even imposed on them. They are only expected to do so, as stated in your Despatch, "in ordinary circumstances;" and in Mr. Laing's minute the cashing of notes at the branches is spoken of as "an accommodation to the public, as a matter of convenience," and not as "a legal obligation."

7. I readily admit that this is as much as can fairly be expected from a banking establishment, which is altogether unconnected with the currency, but it certainly is not the sort of security for the convertibility of its notes which Government is bound to provide.

8. You stated that one of your principal reasons for not adopting the system of circles, and for using the Bank as the Agent of the Government, was, because you conceived that the latter course of proceeding ensured the advantage of an uniform currency, which would be impossible with different circles of issue.

9. I observe, however, that under the system which you have adopted, even within a much more limited area round Calcutta, the notes of the branch banks are put into circulation with a mark upon them, indicating the place of issue, "those put into circulation by each "branch being freely exchanged for coin *at their own* "*branch*, and if sent elsewhere, and paid into any "other branch, or into the head office, they are imme- "diately returned to the branch to which they belong."

10. I do not see in what respect this system differs from that which I had recommended for the circles of issue, with one exception. The notes issued at each centre of a circle would have been legally convertible there, whilst, according to your plan, the notes are only to be freely exchanged at the place where they are put into circulation.

11. It is obvious that the same degree of uniformity exists in both plans, whilst, according to my directions in regard to circles, actual convertibility at each centre of issue of the notes issued at such centre would be secured.

12. I remain, therefore, of opinion, that the only sound system for the management of the paper issue in India is, that it should be entirely in the hands of the Government, and that the Bank should have no connexion whatever with it; and I adhere to that which I conveyed to you in paragraph 31 of my Financial Despatch of the 16th September 1862, that it is "wise "to intrust to Government agency, and to Government "agency alone, the issue of paper as well as of metallic "money, combining as far as possible both measures "in the same Department of Government, and to leave "to banks only the exercise of legitimate banking "functions."

13. I am equally certain that, in the exercise of its legitimate functions, the Bank would essentially promote the circulation of notes, as I pointed out to you in the subsequent paragraphs of that Despatch.

14. I have, therefore, to desire that you will, at the earliest period in your power, take measures for carrying into execution the instructions contained in that Despatch:—

1st. That the notes in Calcutta should be issued by the Commissioner at the Mint, and that the means of verifying the notes and exchanging notes for bullion and coin, and *vice versâ*, should be established there.

2nd. That at certain places, which probably need not exceed five or six in Bengal and the Upper Provinces, offices should be established for the issue and exchange of notes.

3rd. That these notes should differ from the Calcutta notes only in having the name of the place of issue marked upon them; should be convertible of right only at the place of issue, or at Calcutta; should be receivable *everywhere* at Government treasuries in payment of taxes, and should be converted at any other place of issue if the officer anticipated no risk in doing so.

15. I merely point to these general measures, and for any further details I need only refer you to my former Despatches, and especially to my Financial Despatch of the 2d May 1861, requesting you to keep in mind the fundamental principle that the Bank is to have no part in the management of the currency.

Financial Letter to India, dated 2d May 1861, No. 75:—
Extract, para. 32. "The issue of notes should, therefore, be kept quite distinct from any banking establishment, and the supply of notes to any banks must be on precisely the same terms as to any other person."

16. An obstacle may exist in the agreement with the Bank of Bengal for the management of the issue and circulation of notes, receiving a payment of three quarters per cent. on the notes taken over by it. As the agreement is only for five years, and as by the change above-directed the Bank will be relieved from considerable expense and responsibility, they may not be unwilling to come to an arrangement for cancelling the agreement and dispensing with the payment, and I shall be ready to view favourably any proposal which you may make for this purpose.

17. I entirely approve of your placing the whole of the Treasury business in the hands of the Bank of Bengal and its branches, as pointed out in paragraph 57 of my Financial Despatch of the 16th September 1862. I am also in favour of your encouraging the Bank to establish branches in different parts of the country, to which the Government Treasury business of the place may be transferred.

18. I apprehend that, in confiding to the Bank of Bengal and its branches the management of the Treasury business, you will be able, without detriment to the public interests, to extend such advantages to the Bank as will fairly compensate it for any loss to which it may be exposed from the withdrawal of the three quarters per cent. on the currency business. I should hope, therefore, that you will not find much difficulty in this matter.

19. I cannot, however, give up the condition on which alone any bank can be entrusted with the Government business, and that is, that it should be debarred from dealing at all in foreign exchanges.

20. I believe that, by the establishment of a great bank entrusted with the business of the Government, important advantages may be secured, not only to the Government, but also to the public and to the bank itself; that, without loss or danger to the Government, great benefit may be obtained by the bank, from its connexion with the Government; but it is essential for the security of such operations that the business to be conducted by it should be legitimate banking business, and that it should abstain from all speculative commercial transactions.

21. The same course should be adopted also in regard to the Banks of Madras and Bombay, and probably but little difficulty will be found in those Presidencies, as the arrangements have not proceeded so far as in Bengal. Copies of this Despatch will therefore be sent to the Governments of Madras and Bombay for their guidance.

I have the honour to be,
My Lord,
Your Lordship's most obedient humble Servant,
(Signed) C. WOOD.

Extracts from Exhibit marked **C 3.**

No. 52, Fort William,
Financial Department,
Resolution. the 27th March 1862.

The arrangement with the Bank of Bengal having now been completed for the transfer of the Treasury business at Calcutta, Patna, Mirzapore, Benares, and Dacca, and for undertaking the Agency of the Government currency in the circle of Calcutta, the time has arrived when the Government desire to extend similar arrangements to the North-Western Provinces, including Oude and the Punjab.

Where there are no existing banks, arrangements will be made with the Bank of Bengal for the establishment of branches, if that bank is willing to undertake them on fair terms for the public, but at the following places, viz.:

Allahabad,
Agra,
Delhi,
Lucknow, and
Lahore;

there are one or more existing banks, or one or more banks so connected with the districts, that they might reasonably claim some preference if willing to do the Government business on terms as favourable for the public as other banks.

It is impossible for the Government to reconcile the conflicting claims of such banks, and at the same time do justice to the public interests, which require the currency business to be transacted by one and the same Government agency within the same circle, by any selection among those banks, and accordingly his Excellency in Council resolves to invite tenders for undertaking the Treasury business at the above-mentioned places, under the following conditions:—

The cash at each treasury will be divided into three parts. The first, a *minimum* balance, which the Government will undertake to keep in the hands of the bank without interest, or to pay interest at 5 per cent. on any portion of it which may be for a time overdrawn; the second, the difference between such minimum and a *maximum* balance, the whole of which may be employed by the bank as they think fit, as an ordinary customer's deposit; the third to be appropriated strictly to Government purposes, and to remain under Government control.

The competition will turn on the lowest amount of *minimum* and *maximum* balances, for which any bank will undertake the business of a particular place.

The Government do not bind themselves to accept the lowest or any tender.

A preference, in case of equality, will be given to the oldest established bank in the place, or any bank in whose favour they may waive their claim.

Security may be required by the Government, if it thinks it requisite, for an amount equal to the cash balance placed at the control of the bank.

Any bank obtaining the Treasury business must bind itself to undertake, if required by the Government, a sub-agency from the Bank of Bengal for the currency business, on terms to be settled, if the parties cannot agree, by arbitration, the Government naming an umpire, if the arbitrators on each side cannot agree on one.

The term of the agreement both for the Treasury business and currency will be the same as that of the Bank of Bengal's agreements with the Government, viz., for five years from the 1st March 1862.

Tenders will be received by the Financial Secretary to the Government of India up to the 30th April 1862 inclusive.

Banks proposing to tender, and wishing for more detailed information, may apply to the Financial Secretary at his office, where they may see copies of the clauses in the agreements with the Bank of Bengal for establishing branch banks at Mirzapore, &c., which will be required, as far as they may be applicable in other cases.

Ordered that the above resolution be published in the Calcutta Gazette, for general information.

(A true copy.)
(Signed) EDWARD DRUMMOND,
Officiating Secretary to the Government of India.

Financial Department.

To the Secretary to the Bank of Bombay.

Sir,

I am directed to forward herewith, for the information of your directors, a draft agreement to be entered into with the Bank of Bombay in connection with the proposed transfer of the Government Treasury business at the several stations where the bank has established branches, and to request its early return, in order that the same may be submitted for the approval and orders of the Government of India, who (as you were informed in Government letter, No. 925, dated 12th July last,) have desired that no further steps be taken on the subject pending further orders.

Bombay Castle, Acting Chief Secretary.
10th December 1862.

No. 620 of 1863.

From Bombay to Calcutta.

From Financial Secretary to Government.

Tel. No. 55. To Financial Secretary to Government.

Twenty-second June at 4.50 p.m.

Please expedite decision of the draft agreement submitted with my letter number sixteen hundred and forty-one, of twenty-third December last, about transfer of Treasury business at certain stations to branches of Bombay Bank, as also on the draft of new bank charter submitted from the Legislative Department with letter No. thirty-nine of twenty-sixth March. The bank directors have addressed an urgent representation on both these subjects.

No. 621 of 1863.

Financial Department.

From

A. D. Robertson, Esq., Secretary to the Government of Bombay.

To

E. H. Lushington, Esq., Secretary to the Government of India.

Sir, Dated 22nd June 1863.

With reference to my letter, No. 1641, dated the 23rd December 1862, and your telegram of the 21st January last, relative to the draft agreement proposed to be entered into with the Bank of Bombay for the transfer of Government Treasury business at certain stations to branches of the bank, I am directed to submit the accompanying copy of a letter * which the directors have addressed to Government, complaining of the delay which has taken place in carrying out the arrangements.

2nd. The directors, it will be seen, also complain of inconvenience caused by the delay in the bank's new charter † becoming law.

3rd. I am therefore directed by his Excellency in Council to request that the Supreme Government will favour this Government with their early decisions on the draft agreement with the bank and the New Charter Act Bill.

A. D. Robertson,
Secretary to Government.

Bombay Castle,
22nd June 1863.

No. 622 of 1863.

To the Secretary and Treasurer, Bank of Bombay.

Sir,

I am directed, with reference to your letter, No. 3,925, dated the 11th instant, to inform you, that as both the draft agreement with the bank regarding the proposed transfer of the Treasury business to its branches at certain stations, and the new Charter Act, are before the Government of India, a copy of your letter has been submitted to that authority, and their early decision solicited on these subjects.

Bombay Castle, 22nd June 1863.

No. 4088
1863

Bank of Bombay, Bombay, 18th June 1863.

To the Secretary to Government, Financial Department, Bombay.

Sir,

With reference to the Bank's letter, No. 3,925, dated 11th instant, I am directed to state, that, no reply having been received thereto, we infer that the matter does not rest with the Bombay Government but with the Supreme Government, whom the directors therefore propose addressing on the subject.

I have the honour to be,
Sir,
Your most obedient Servant,
(Signed) James Blair,
Secretary and Treasurer.

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* No. 3925, dated 11th instant.
† Submitted to the Government of India from the Legislative Department with Letter No. 39, dated 26th March last.

No. 634 of 1863.

Financial Department.

To the Secretary and Treasurer, Bank of Bombay.

Sir,

In reply to your letter, No. 4,088, dated 18th instant, I am directed to request that you will refer the directors of the bank to my letter to your address No. 622 of yesterday's date.

I have, &c.
(Signed)
Secretary to Government.

Bombay Castle,
24th June 1863.

Extract from Exhibit marked **C 4.**

The Chief Secretary to Government, Financial Department, Bombay.

Bank of Bombay,
5th March 1866.

Sir,

With reference to your endorsement, No. 181 of 17th ultimo, with copy of despatch from the Secretary to the Government of India, regarding the execution by the bank of Mr. F. L. Brown's trust deed, I have the honour to give the following information:—

A loan for 2½ lacs was granted on the personal security of Mr. Brown and his partner, who at the time were considered to be perfectly good for three times the amount. When it became due, an extension of time was asked for and granted, on the understanding that 46 shares of the Port Canning Reclamation Company would be deposited with the bank as collateral security. These shares were then saleable at Rs. 8,000 premium or Rs. 9,000 per share. Their present price is about Rs. 1,300 per share.

A bill for Rs. 45,000, signed by Mr. Brown jointly with other two parties, both merchants in Bombay, who have since failed. It is not yet known what dividend these estates are likely to pay. A bill for Rs. 20,000, signed by Mr. Brown jointly with a solicitor in Bombay. The assets of the latter are in the hands of trustees. When he submitted a statement of his affairs to his creditors, his assets exceeded his liabilities, but as the largest item was a coffee estate, and such property having fallen greatly in price owing to the number of estates belonging to bankrupts offering in the market, I believe the trustees do not anticipate that they will be able to pay the liabilities in full.

In the beginning of May, when it became known that several of the largest native merchants who had purchased shares for delivery in July would not be able to meet their engagements, panic reigned in the share market. Shares of the best and soundest undertakings were offered at any price, and the consequence was that in a few days shares that were at a respectable premium could not be sold except at a ruinous discount, and Mr. Brown and many others found themselves unable to meet their liabilities.

Mr. Brown laid a statement of his affairs before his creditors, who believed it to be correct, and being perfectly convinced that nothing could be gained by any proceedings in Court against him, (possibly he might have been punished for over speculation,) agreed to the proposition that his affairs should be put under trust. The creditors, in assenting to this proposition, did not overlook the fact that several native debtors were dealt with in this manner, and that if an example was required they did not consider that a European, who they were perfectly satisfied had given up his all, should be made the first victim.

With reference to paragraph 3 of the despatch, it is impossible to say what the precise loss will be on Mr. Brown's transactions, as his partner is jointly liable to the bank for the loan of 2½ lacs, and although at present he is not in a position to meet his liabilities in full, he does not wish to effect any compromise, his uncovered debts being comparatively small. They do a large and profitable business as bill brokers, and as Mr. Brown has promised to assist his partner in reducing their debt to the bank, it is hoped that the loss will be ultimately but trifling.

There can be no question in my opinion that the bank is likely to receive more by having agreed to a trust deed than they possibly could ever have expected had only time been granted. The latter course would at the time have ruined the business of the firm, and cut off all hope of part payment hereafter.

I have the honour to be, Sir,
Your most obt. servant,
D. Robertson,
Officiating Secretary and Treasurer.

Exhibit marked **C 5.**

No. 996 of 1866.

Financial Department,
Bombay Castle, 24th October 1866.

To the Secretary and Treasurer, Bank of Bombay.

Sir,

I am directed by his Excellency the Governor in Council to request that the Directors of the Bank of Bombay will be so good as to favour Government, as early as possible, with information in the accompanying form regarding the position of the Bank.

I have, &c.
(Signed) J. KING,
Acting Under Secretary.

STATEMENT of sums overdue beyond the amount of rupees 3,00,000 each, for which on the 30th June 1866 the Bank of Bombay was in advance, by way of discount, loan, or otherwise, exclusive of loans upon deposit (to the full value), of Government paper, or guaranteed Railway Scrip, or imperishable goods.

No. of Claims.	Description of Debtor.	Amounts of original Claim in Rs.	How Claim originated.	When Claim originated.	How Claim was secured originally.	When Claim first became overdue.	Dates of Renewals.	Total Amount of Claim on 30th June 1866.	Collateral Securities taken, and when.	Par Value of Collateral Securities.	Value of the same according to present Quotations.	Liabilities to Calls in connexion with the same.	Probable Dividends in case of Insolvent Estates.
I.	Private Merchant.		Bills discounted.										
II.	Private Firm.												
III.	Jt. Stock Co.		Loan.										
IV.	Bank.												

Exhibits marked **E 1** to **E 4**, consist of entries in the books of the Eastern Financial Association; the important entries appear in the depositions of Edward Gunning Ryan, Rowland Hamilton, and William Watson, vide Minutes of Evidence, vol. 1, pp. 41 to 49.

For Copy of Exhibit marked **E 5**, vide Minutes of Evidence, vol. 2, page 214.

For Copy of Exhibit marked **E 6**, vide Minutes of Evidence, vol. 2, page 353.

Copy of page 53 of book produced by W. J. Best, and *marked* **F 1**,

Port Cannings, J/A., B. B., and T.

1864. Feby. 16	From Merwanjee: 1/4 B.		Received:	
	5 at 8,350 paid	46,750	Tracey -	1,50,000
	14 at 8,250 7 7	1,29,500	Best -	1,00,000
	20 at 8,300 9 1 2 8	1,86,000	B. and B,	2,50,000
				5,00,000
„	From Coleman:			
	4 at 8,100 2	36,400		
	6 at 8,200 3	55,200		
	50	4,53,850		

Extract of Entries from page 55 of the Ledger *marked* **F 1**, produced by Mr. Best before the Bombay Bank Commission on the 7th July 1868.

Port Canning Shares J/A. T. B. B. R. and P. C. M.

Dr.

1865. Feby. 10	To purchase 6 at 11,000 B.	72,000	1865. Mar.	Cash paid by Premchund Roychund, and the 14 shares delivered to him.	1,62,600
	„ 3 at 92,000 S.M.K.	30,600			
	„ pd. R. ¾ at 11,000 B.	60,000			
	Rupees	1,62,600		Rupees	1,62,600

The Exhibit marked **F 2** is the account book of F. L. Brown, produced and referred to by W. J. Best; vide Vol. I., p. 49.

Copy of Exhibit marked **F 3.**

Proposed by Mr. Campbell of the Mercantile Bank, seconded by Mr. M'Culloch, Manager of the City Bank, that all the securities held by Mr. Brown be handed over to Mr. Robertson of the Bank of Bombay, and that on the several deficiencies of the various creditors being ascertained, the said securities be realized and divided rateably among the said creditors; if any creditors should have a surplus, that it should be given up for the good of the estate; also if after examination of the accounts, and their correctness being certified, that Mr. Brown be released from all claims against him.

Carried unanimously.

(Signed) D. ROBERTSON,
July 11th, 1865. Chairman.

City Bank - - Mr. M'Culloch.
Mercantile Bank - - Mr. Campbell.
Financial Association of India and China - } Mr. Smith.
Bank of India - - Mr. Morrilans.
Royal Bank - - Mr. Hoadley.
Chartered Bank - - Mr. Marshall.
MacIndoe, Rogers, & Co. Mr. Johnstone Penney.
Mercantile Credit (Financial) - - - } Mr. Weatherhead. Mr. Best.
Bank of Bombay - - Mr. Robertson.

Present at a meeting held at the office of the Bombay City Bank, on Tuesday, the 11th day of July 1865.

EXTRACT of an Entry in *Exhibit marked* **F 4**, produced by Mr. Best before the Bombay Bank Commission on the 7th July 1868.

1865.	From.	To.	Description.	Amount.	Rate.	Equivalent.	Brokerage.	
Feb. 9 -	B. H. Cama -	J. G.—150 -	P.C. 1st May -	c. 16,000 -	per -	—	¼	6,000

The Exhibits marked **G, H, I,** and **J,** not being material, are not printed.

Copy of Exhibit marked **K 1.**

Bank of Bombay.

No. 520.

Financial Department.

Bombay Castle, 19th May 1866.

LETTER from Mr. C. E. Chapman, Deputy Accountant-General, No. 202, dated 14th May 1866—Stating, with reference to Government Resolution, No. 470, dated 8th May 1866 (appointing him to the duty of Government Auditor of the Bank of Bombay), that by Clause XXXVIII. of the Bank's Charter no Director, or other Officer, is eligible as an Auditor; enquiring whether this does not preclude him from discharging on behalf of Government the duty to which he is nominated; and suggesting that the audit on the part of Government might conveniently be carried into effect concurrently with the audit by the elected Auditors, that is shortly after the close of the half year ending 30th June.

Resolution.—Mr. C. E. Chapman should be requested at once to count the cash balances, and this duty should for the future be performed quarterly by the Deputy Accountant-General.

2. The Accountant-General should be asked to send in the name of a qualified person to be associated on behalf of Government with the elected Auditors when the next half-yearly audit takes place.

Chief Secretary to Government.

To the Accountant-General,
C. E. Chapman, Esq., Deputy Accountant-General,
The Secretary and Treasurer, Bank of Bombay.

Copy of Exhibit marked **K 2.**

Bank of Bombay.

No. 528.

Financial Department.

Bombay Castle, 22nd May 1866.

LETTER from Mr. C. E. Chapman, Deputy Accountant-General, No. 225, dated 15th May 1866—Reporting that he has taken steps to carry out the orders of Government in regard to the examination in detail of the balances of the Bank of Bombay; bringing to notice that on visiting the strong room of the Bank he has found that the Government reserve is not in any way separated from the Bank's cash, owing to there being no sufficient space available; stating that a large proportion of the room is taken up by copper coin, which might be stowed away in the Castle, as it is not required for current issue; and requesting sanction to its removal there at once.

Resolution.—His Excellency the Governor in Council approves of the recommendation to increase the amount of storage accommodation at the Bank by the removal of the copper coin to the Castle; but directs that the necessary arrangements be carried out at such time and in such a manner as the Accountant-General may deem proper.

(Signed) J. KING,
For Chief Secretary to Government.

To the Accountant-General,
C. E. Chapman, Esq,, Deputy Accountant-General,
The Secretary and Treasurer, Bank of Bombay,
The Military Department of the Secretariat.

Copy of Exhibit marked **L 1.**

Bombay, 11th May 1866.

My dear Sir Bartle,

As I know you will be glad to hear what we have been doing at the bank since you left, I will now give you as much information as I can put into a couple of sheets of note paper, which must be my limit for the present, the mail having come in.

As you already know to what extent the bank promised to assist Premchund, you will not feel alarmed, I am sure, at the absurd rumours that have been flying about, that the bank had given him 80 lacs. He has not had 20 yet, and we have, as security, over 20 in landed property and 3 or 4 in jewels (he says 10), and of this advance about $\frac{3}{5}$ths has to be borne and is guaranteed by other sound banks.

Our chief anxiety has been the position of the Asiatic Bank, which has applied to us for temporary aid to the amount of 15 lacs, giving cover of over 7 lacs in bank drafts, all payable before 15th or 16th proximo, and other less realizable though good securities. For the sake of Bombay we shall have to give this assistance, if it is absolutely needed.

Other demands upon us were made by the Commercial and Hindustan Banks, but they have been of lighter amount and have not disturbed us, though we met them promptly, the loans being well secured. We have been fairly successful in being able to keep up the available bank balances; and throughout this week I have urged upon the directors the desirability of realizing government paper and any good securities the bank holds which may not have suffered depreciation (such as Bank of Bengal Shares), and have got sanction to do so. This course ought at once to bring us in about 12 lacs to add to our balances, no bad addition in these hard times.

The native community has been quite in a panic at the daily declining price of cotton (our latest is to the 7th from Crawford, Colvin, and Co., quoting 10½*d.* for fair Dholla) and they have been pressing some of the Parsees so hard, that three or four have had to give in and call meetings of their creditors. Cursetjee Furdonjee and Limjee Manockjee go into trust at once, and Sorabjee and Nowrojee Nanabhoy follow to-morrow. In all these cases the bank, though it must be a loser, I fear, is fairly secured, but must lie out of its money for a long time unless the monsoon should bring some small demand and advance for shares.

Premabhoy is very hard up indeed; but it is impossible yet to say what is to be done with him.

I hope that in three or four weeks more we shall see an end to any pressure from or upon the banks, all of whom have telegraphed home for silver, and if the Asiatic does but pull through, as we trust it may, my next note may be a more cheerful one. As far as the Bank of Bombay is concerned we are in good case, and without any idea at present that we shall have to ask either moral or effectual assistance from Government.

Last night's balances showed an improvement of 9 lacs and a decrease in the government reserve; and after mail-day (to-morrow) we ought to keep pretty steady until the banks begin to get their remittances. The native dealers in cotton still hold out for higher prices than merchants are willing to give, and our only chance now to get them down to a reasonable price is that the panic is sure to extend up country, and make the ryots ready sellers. The news from home is not over and above cheerful; the best informed of our correspondents looking for large stocks and low prices for some months.

Some reasons, hitherto unsuspected here, are now apparent for the heavy and sudden fall in cotton, apart from stock and warlike rumours; one of the greatest importance being the stringent orders from America to sell the cotton at market, even at a loss. This may or may not be due to the fear of a monetary crisis in New York, but to my mind points to a strong impression that England will be involved in political troubles and perhaps war. No fresh news from the Continent has reached us.

FRANCIS P. LIDDERDALE.

Copy of Exhibit marked **L 2.**

My dear Lidderdale,

Mahabuleshwur, May 24th, 1866.

Many thanks for your two very valuable letters. I hope that the bank will get through this present crisis creditably, but you are clearly right in anticipating a time of even greater trial to us, when the redrafts come in, and I am sincerely glad that you have put off your departure.

I do not like the look of things in America. Some of Mr. Johnson's late acts look very like those of an able man who means to be supreme, and will not allow trifles to stop him. It is not easy for such a man, if successful, to limit himself, as Washington did, to the bounds which he proposed to himself before he gained power, to do what he pleased. I think there is more cause for anxiety in America than even in Germany.

I shall look for your letters with much interest and some anxiety.

Meantime believe me,
My dear Lidderdale,
Sincerely yours,
W. B. FRERE.

P.S.—27th. This has been delayed accidentally, and now I see the Commercial Bank has gone. This is an unlooked for misfortune; but it is satisfactory to know you did your best to keep them up here.

Yrs; W. B. F.

The Exhibit marked **M** is the Deed of Assignment for the benefit of creditors executed by F. L. Brown, and Release by them to him, dated 15 July 1865.

For an Extract of so much as is material of the Exhibit marked **N 1**, vide Minutes of Evidence, Vol. I. page 82.

For Copies of Exhibits marked **N 2** and **N 3**, vide Minutes of Evidence, Vol. I. p. 83.

Exhibit marked **N 4**.

Bank of Bombay,

Dear Sir, Bombay, 18 October 1864.

The promissory note referred to in your favour of to-day will be discounted for three months at the rate of nine per cent.

Faithfully yours,
JAMES BLAIR.

Jeehangeer Rustomjee Mody.

Enclosed is one of our forms.

For Copy of the Exhibit marked **O**, vide Minutes of Evidence, Vol. I. p. 90.

Copy of Exhibit marked .

My dear Candass,

Don't be angry in your mind that why I am not coming at present I am rather in difficulty; people have filed suits against me and I am trying to put off for three months; and I am bullied by small paltry debt who don't allow me to sit down even a quarter of an hour, and I am trying to raise one or two lacs, but I am not succeeded yet; if I don't succeed before Monday I think I will have to stop altogether; but don't you be frightened at all and give in, keep up yourself and mind you must always think in your mind that all your money will be paid in full if any remains unpaid to you at all. I have got food in my stomach from you, and therefore sure to pay to you rather than pay to any one else. I am now a ruined man; but I know how to do business, so depend upon my word that you will not lose by me a rupee. I have tried up to this day my best, and still trying, to keep up my name; but when I see that they are going to put me in court I will at once gived up, or otherwise they will put me in jail, and I don't think you will like that at all. You told my Dossabhoy that I saw Cumla and spoke against you; never mind I have spoken, although I have not done so; still you ought not to listen in these times, you ought to help me rather than listen anything at all; this is the time to keep up one name and not to fight. I am writing this because I feel it and not with bad motive, and you must further remember that if I thought that such a thing is going to happen in Bombay I would not have told you to go into trade; but who thought of this, and besides it is not all my fault; you yourself voluntarily told me that you like to go to cotton, and therefore I went into joint account; but whoever thought such a time like this, I think no one but God, and that you must admit. I never thought that this time will come, and we shall be all in difficulty; but you just try and keep your name up and you will certainly make money again.

Yours sincerely,
(Signed) PREMCHUND ROYCHUND.

6th July 1866.

Copy of Exhibit marked **Q**.

Private. Bank of Bombay,

My dear Douglas, Bombay, 28th April 1866.

Rodgie tells me you were up about this arrangement of Premchund's.

When the question came before our Directors the other day, they considered it might be as well to get the opinions of two of the Banks largely interested, viz., the Asiatic and Hindustan, and they invited them and also the Oriental and Mercantile to a conference on the subject. The meeting was adjourned very late in the evening to meet next morning at Mr. Lidderdale's bungalow. I went out to call you to attend, and also Beattie, but I was too late for you. I only mention these circumstances that you may not think you were overlooked in the consultation; but we shall be glad if you will undertake a part of the responsibility. Will you? say to the extent of two lakhs.

I have got title deeds of landed and house property for which he paid about eighteen lakhs, and as the most of it was purchased in 1863 and the beginning of 1864, I dare say it might to-day be worth as much.

I am to get twenty lakhs of jewels to-morrow. I have only advanced him three lakhs cash as yet, but have instructed our Guzerat agents to take hoondies on him to the extent of eight lakhs if they have funds. I shan't advance more until I get the jewels and have them valued. It would be a frightful thing for Bombay if he suspended payment. Where it would end it is impossible to say. Have you much of his paper?

Yours sincerely,
(Signed) D. ROBERTSON.

For Copy of Exhibit marked **R 1**, vide Minutes of Evidence, vol. 2, page 22.

Exhibit **R 2**.—Book of blank forms of promissory notes.

Copy of Exhibit marked **R 3**.

EXTRACTS from Premchund Roychund's Cash Book for Sumvat year 1920, page 88, dated 5 March 1864.

Dr.				5 March 1864.	Cr.
Debited to the account of Mr. Blair under date the 6 of Magsur Sudh (5 March 1864) for 100 shares of the Joint Stock Bank.				Credited to the account of Mr. Blair of the Bank of Bombay, Rs. 20,797 12 10 cash, by the hands of Nialshaw, in full of all accounts for Joint Stock Bank shares	Rs. 20,797 12 10
100 shares at 42.					
3 calls at Rs. 120 each	Rs. 12,000	0	0		
Premium at 42	8,400	0	0		
Interest for 2½ mos. and 3 days up to Wednesday the 2nd of Maha Vud at 9%	397	12	10		
	Rs. 20,797	12	10		
	Rs. 20,797	12	10		

(A true Translation.)

NOWROZJEE FURDOONJEE,

Translator to the Commission.

EXTRACTS from Cash Book for Sumvat year 1921, page 41, dated 6 December 1865.

Dr.				Cr.			
Debited to the joint account of Mr. Blair, Mr. Tracey, Mr. Morrison, and myself, for the purchase of six Nicol's shares - -	Rs. 7,43,200	0	0	Credited to the account of Nicol's shares for the sale of six shares at difft. rates - -	Rs. 7,43,200	0	0
Page 232.				Credited to the joint account of Mr. Blair, Mr. Tracey, Mr. Morrison, and myself, the proceeds of six Nicol's shares, sold at difft. rates - - - - -	9,05,211	0	0
Debited to the joint account of Mr. Blair, Mr. Tracey, Mr. Morrison, and myself, for Nicol's shares in full, with interest - -	Rs. 1,62,007	0	0				
Debited to the account of Nicol's shares, for the purchase of six shares at difft. rates -	9,05,211	0	0				

THE Joint Account of Mr. Blair, Mr. Tracey, Mr. Morrison, and myself, for Sumvat year 1921 (1864–1865 A.D.). Ledger, page 66.

Dr.				Cr.			
Cash Book.				Cash Book.			
Page 41.				Page 45.			
The 7th of Magsur Shood, 5th December 1864 - - - - - -	Rupees 7,43,200	0	0	The 7th of Magsur Shood, 5th Decr. 1864	Rupees 9,05,211	0	0
Page 232.					Total Rs. 9,05,211	0	0
The 5th of Talgoon Wud, 17th March 1865	1,62,007	0	0				
Page 9.							
The 5th of Talgoon Wud, 17th March 1865	4	0	0				
Total Rupees	9,05,211	0	0				

(A true Translation.)

NOWROZJEE FURDOONJEE,

Translator to the Bombay Bank Commission.

Copy of Exhibit marked **R 4.**

Credit Side.

Translation of an entry marked R 4 in Premchund Roychund's journal for Sumvat year 1921 (1864–1865, A.D.), page 101, referred to in Premchund Roychund's examination before the Bombay Bank Commission.

Credited to the Asiatic Bank Corporation.

Account No. 2 under different dates.

Deposited with you, Back Bay shares, purchased on the joint account of five persons, and received Rs. from you as under mentioned.

4th April 1865, 1 Back Bay share -	38,500	0	0
5th April 7 shares @ different rates	2,70,500	0	0
6th April 2 shares, ditto - -	77,500	0	0
7th April, 4 shares, ditto - -	1,55,500	0	0
10th April, 1 share - - - -	39,000	0	0
11th April, 2 shares, ditto - -	77,000	0	0
12th April, 7 shares, ditto - -	2,69,500	0	0
13th April, 1 share - - -	38,500	0	0
Interest @ 12 per cent. up to 30th June	26,260	0	0
	9,92,260	1	9
31st July, 13 shares at different rates	1,49,350	0	0
1st August, 1 share - - - -	11,000	0	0
2nd August, 7 shares @ different rates	77,700	0	0
11th August 1865, 3 shares - -	29,550	0	0
Summary - - -	12,59,860	1	9

Summary.

Debited to the joint account of Mr. Scott, Mr. Tracey, Mr. Morrison, Mr. Hannay, and myself, being five persons, their joint account No. 2 of Back Bay shares - -	Rs. 12,59,860	1	9

(A true translation.)

NOWROZJEE FURDOONJEE,

Translator to the Commission.

Copy of Exhibit marked **R 5.**

Translation of an entry in Premchund Roychund's cash book marked R 5 for Sumvat year 1920, dated 7th July 1864, page 213, referred to in Premchund Roychund's examination before the Bombay Bank Commission.

7th July 1864.

Credited to the account of Mr. Blair of the Bank of Bombay, cash Rs. 20,000 brought by Javershaw, Rs. 20,000.

(A true translation.)

NOWROZJEE FURDOONJEE,

Translator to the Commission.

Copy of Exhibit marked **R 6.**

Translation of an entry marked R 6 in Premchund Roychund's cash book for Sumvat year 1921, page 28, dated 25 November 1864, referred to in Premchund Roychund's examination before the Bombay Bank Commission.

Debit Side.

Debited to the account of the Mazagon Reclamation Company's shares.

1 share bought of Mr. Robertson, -	Rs.	11,750				
Principal - -	,,	3,000				
Premium - -	,,	8,750	Rs. 11,750	0	0	

(A true translation.)

NOWROZJEE FURDOONJEE,

Translator to the Commission.

Copy of Exhibit marked **R 7.**

Extract from a list of allottees of shares of the Frere Land and Reclamation Company, Limited, produced before the Bombay Bank Commission by Numcherji Nowroji Banaji, the Secretary of the Company, and shown to Premchund Roychund during his examination on Friday, the 7th day of August 1868.

Atmaram Balcrustna (J. Inverarity) 2.

Copy of Exhibit marked **R 8.**

Translation of an entry marked R 8 in Premchund Roychund's cash book for Sumvat year 1920, page 317, dated 29 October 1864, referred to in Premchund Roychund's examination before the Bombay Bank Commission.

Credit Side.

29 October 1864.

Credited to the joint account of Cowasjee Jehangeer, Ritchie, Steuart, Peel, Cassels, Grey, and Co. and myself, being five persons. The particulars are, these received Rs. 5,00,000 in cash on account of earnest money for the sale of the powder works: property at Mazagon for Rs. 60,00,000.

Debited to the account of Messrs. Steel and Company Rs. 5,00,000.

(A true translation.)

NOWROZJEE FURDOONJEE,
Translator to the Commission.

Copy of Exhibit marked **R 9.**

Translation of an entry marked R 9 in Premchund Roychund's cash book for Sumvat year 1921, page 9, dated 9th November 1864, referred to in Premchund Roychund's examination before the Bombay Bank Commission.

Credit Side.

9th November 1864.

Credited to the account of Cowasjee Jehangeer, Mr. Steel, Messrs. Grey & Co., Messrs. Peel, Cassels, and myself, and Messrs. Ritchie, Steuart & Co., being five persons, Rs. 5,00,000 received in cash by the hands of Nehalchund on account of earnest money for the sale of the powder works property at Mazagon Rs. 5,00,000 0 0

(A true translation.)

NOWROZJEE FURDOONJEE,
Translator to the Commission.

Copy of Exhibit marked **R 10.**

Translation of an entry marked R 10 in Premchund Roychund's cash book for Sumvat year 1920, page 299, dated 12th October 1864, referred to in Premchund Roychund's examination before the Bombay Bank Commission.

Credit Side.

12th October 1864.

Credited to the account of Dr. Diver, cash Rs. 5,50,000, by the hands of Nehalchund, Rs. 4,50,000.

(A true translation.)

NOWROZJEE FURDOONJEE.
Translator to the Commission.

Copy of Exhibit marked **R 11.**

Translation of an entry marked R 11 in Premchund Roychund's cash book for Sumvat year 1920, page 306, dated 19th October 1864, referred to in Premchund Roychund's examination before the Bombay Bank Commission.

Debit Side.

19 October 1864.

Debited to the account of the Khoja Financial Bank for the sale of 65 Back Bay shares.

15 shares @ Rs. 18,000 each.		
Principal	- Rs. 75,000.	
Premium	- ,, 270,000.	
		3,45,000.
35 shares @ Rs. 22,000 each.		
Principal	- Rs. 1,75,000.	
Premium	- ,, 7,70,000.	
		9,45,000.
5 shares @ Rs. 21,500 each.		
Principal	- Rs. 25,000.	
Premium	- ,, 1,07,500.	
		1,32,500.
10 shares @ Rs. 21,000 each.		
Principal	- Rs. 50,000.	
Premium	- ,, 2,10,000.	
		2,60,000.
		Rs. 16,82,500 0 0.

(A true translation.)

NOWROZJEE FURDOONJEE,
Translator to the Commission.

Copy of Exhibit marked **R 12.**

Translation of an entry marked R 12 in Premchund Roychund's cash book for Sumvat year 1920, page 228, dated 20th July 1864, referred to in Premchund Roychund's examination before the Bombay Bank Commission.

Debit Side.

20 July 1864.

Debited to the account of Byramjee Hormusjee Cama, balance on account of Back Bay shares, cash Rs. 3,50,000 - - - Rs. 3,50,000 0 0.

(A true translation.)

NOWROZJEE FURDOONJEE,
Translator to the Commission.

Copy of Exhibit marked **R 13.**

Translation of an entry marked R 13 in Premchund Roychund's cash book for Sumvat year 1920, page 222, dated 16 July 1864, referred to in Premchund Roychund's examination before the Bombay Bank Commission.

Credit Side.

16th July 1864.

Credited to Back Bay shares trade account Rs. 13,60,000 received in cash for the sale of 53 shares being Rs. 10,66,500 received from Mr. Sorabjee Jamsetjee for 43 shares sold to him.

26 shares @ Rs. 25,200 each,	-	*Rs. 650,000.*
17 shares @ Rs. 24,500 each.	-	*,, 4,16,500.*
		Rs.10,66,500.
		Rs. 10,66,500.

For 10 shares sold to Mr. Kursondass Narondass, including the amount of calls received, Rs. 2,93,500.

5 shares @ Rs. 30,500 each	-	Rs. 1,52,500
2 shares @ Rs. 29,500 each	-	,, 59,000
2 shares @ Rs. 29,000 each	-	,, 58,000
1 share @ Rs. 24,000 each	-	,, 24,000
		Rs. 2,93,500
		Rs. 2,93,500.

Rupees 13,60,000.
Rupees 13,60,000.

(A true translation.)

NOWROZJEE FURDOONJEE,
Translator to the Commission.

Copy of Exhibit marked **R 14.**

Bank of Bombay,
Bombay, 22d May 1866.

My dear Tracey,

The Board had under consideration to-day the different advances made to Premchund, and with reference to the overdraft of three lacs, which is guaranteed by you, I have been instructed to inform you that it is the wish of the Board that it should be paid up or covered by satisfactory convertible security, and as Premchund has done neither, I am requested to ask you for payment or good collateral security.

As Premchund has not furnished the security he promised when it was arranged that a loan of 25 lacs would be given him, I regret the three lacs cannot be included in that loan.

Yours very truly,
D. ROBERTSON,
Offg, Secy. and Treasurer.

R. L. Tracey, Esq.,

Copy of Exhibit marked **R 15.**

Bank of Bombay,
Bombay, 3 Sept. 1866.

My dear Tracey,

Among the securities given by Premchund against that annoying 3 lacs were 58 Coast and River Steam Navigation shares. We sent them over the other day just to see if they would be transferred, and were told they were *absolutely forfeited* on the 19 June as he had not paid the last three calls, aggregating Rs. 500 per share.

I asked Shepherd if he would not take the money, and the enclosed is his reply.

It is a beastly nuisance, as Rs. 2,000 per share have been paid on them. Security against the overdraft is thus diminished by over one lac of rupees.

Do you think he can give anything else instead? Please try him.

Yours sincerely,
D. ROBERTSON.

Copy of Exhibit marked **R 16.**

Bank of Bombay,
My dear Tracey, Bombay, 4th Sept. 1866.

Here is another lot of Premchund's securities like to slip out of our hands for non-payment of calls of Rs. 150 per share. Is there any chance of his raising the money, Rs. 7,500, before the 7th instant? The security against the 3 lacs is gradually disappearing,

Yours sincerely,
D. ROBERTSON.

Copy of Exhibit marked **R 17.**

My dear Premchund, London, 3d Dec. 1867.

I have been disappointed at not hearing from you for the last few mails. Can it be press of work that prevents your writing? I hope not, for all who have been doing any business lately must have suffered from it. Poor Bombay is indeed paying dearly for its short dream of prosperity! One could not have imagined it possible that things would go so completely to the bad.

I hope by this time you will have arranged something with Best for me, and I am most anxious to hear something on the subject.

I have to write this mail to Robertson about that overdraft of yours for a lac which I guaranteed. I fear I may yet get into trouble with the Board about that, as the responsibility rests with me. That matter ought really to have been settled. What balance still remains unpaid? I fancy it cannot be large, as I know you put in certain securities against it. Please let me know about this.

What are you doing now, and what do you think about future business? Next year there ought to be money made, both in cotton and goods, as both must have reached almost their lowest sum.

Remember me to your father and Dessabhoy.

Believe me,
Yours very sincerely,
R. L. TRACEY.

Copy of Exhibit marked **R 19.**

TRANSLATION of a Gujrathi Account marked R 19 in Premchund Roychund's Ledger for Sumvat year 1922, page 79, referred to in Premchund Roychund's examination before the Bombay Bank Commission.

The Account of Mr. Tracey for Sumvat year 1922 (1865–1866 A.D.)

Dr.		Cr.	
Journal, page 49, 18th November 1865 - -	Rs. 1,961 15 0	Journal, page 109, the 18th November 1865, 150 shares of the Asiatic Bank - -	Rs. 33,836 15 0
Balance receivable as per old book, page 64, the 1st of Kartuck Sudh - - - -	31,875 0 0		
	Rs. 33,836 15 0		Rupees 33,836 15 0

(A true Translation.)

NOWROZJEE FERDOONJEE,
Translator to the Commission.

Copy of Exhibit marked **R 20.**

TRANSLATION of a Gujrathi Account marked R 20 in Premchund Roychund's Ledger for Sumvat year 1921, page 66, referred to in Premchund Roychund's examination before the Bombay Bank Commission.

The Joint Account of Mr. Schillar, of Calcutta, Mr. Hannay, Mr. Tracey, Mr. Scott, and myself, for Sumvat year 1921.

Dr.		Cr.		
Cash book, page 160, the 4th of Maha Vud (14th February 1865) - - -	Rs. 4,00,000 0 0	Journal, page 133, 21 May 1865 - - -	Rs. 1,00,000 0 0	
Journal, page 52 - - - - -	3,00,000 0 0		59,613 5 0	
Cash book, page 195, the 6th of Fagun Sudh (3d March 1865) - - - -	1,50,000 0 0			Rs. 1,59,613 5 0
Cash book, page 205, the 7th of Fagun Sudh (4th March 1865) - - - -	80,000 0 0	Journal, page 191. 19 Apl., a bill of exchange for £ 10,000		97,959 3 0
Cash book, page 232, the 5th of Fagun Vud (17th March 1865) - - - -	60,000 0 0	Journal, page 192 - - - -		14,15,496 8 0
Journal, page 73, different dates - - -	3,00,000 0 0			Rupees 16,73,069 0 0
Journal, page 73, 19th April 1865, bill of exchange for £ 17,500 - - - -	1,71,428 9 0			
	Rupees 14,61,428 9 0			
Cash book, page 365, the 4th of Assad Sudh (27th June 1865) - - - -	59,613 5 0			
Cash book, page 437, the 14th of Bhadarba Vud (18th Septr. 1865) - - -	33,840 0 0			
Cash book, page 442, the 3rd of Aso Sudh (23d Septr. 1865) - - - -	15,000 0 0			
Cash book, page 445, the 5th of Aso Sudh (25th Septr. 1865) - - - -	1,03,178 1 2			
Cash book, page 459, the 15th of Aso Sudh (4th October 1865) - - - -	9 0 0			
	Rupees 16,73,069 0 0			

(A true Translation.)

NOWROZJEE FURDOONJEE,
Translator to the Commission.

Copy of Exhibit marked **R 21.**

TRANSLATION of the Jewels Account, at page 97 in Premchund Roychund's Ledger for Sumvat year 1920, referred to in Premchund's examination before the Bombay Bank Commission, marked **R 21.**

Jewels Account for Sumvat year 1920.

Balance brought forward from old book, page 74, the 1st of Kartuck Sudh - - - -				95,367	7	9	
Cash book, page 6, the 10th of Kartuck Sudh (20th November 1863), two diamond wristlets				1,986	0	0	
Cash book, page 15, the 2nd of Kartuck Vud, for setting one ring - - - - -				38	0	0	
Cash book, page 15, the 3rd of Kartuck Vud, purchased one diamond -				100	0	0	
Do.	18, the 7th of	do.	1 ruby -	645	2	0	
Do.	26, the 1st of	Magsur Sudh,	1 pearl	104	12	6	
Do.	28, the 3rd of	do.	66 diamonds -	433	15	9	
Do.	29, the 4th of	do.	1 pearl -	492	1	0	
Do.	29, the 4th of	do.	for brokerage	19	0	0	
Do.	34, the 8th of	do.	42 diamonds -	174	14	6	
Do.	42, the 4th of	Magar Vud,	brokerage	3	9	3	
Do.	78, the 15th of	Maha Sudh,	1 ruby	124	1	0	
Journal, 20–21 November 1863 (paid for diamonds ordered from England thro' R. Stewart & Co.) - - - - - -				27,037	8	0	
Cash book, page 102, the 15th of Fagun Sudh, 6 rubies - - -				701	0	0	
Do.	125, the 4th of	Chytra Sudh,	1 ruby ring - -	249	2	0	
Do.	154, the 4th of	Vysack Sudh,	3 pearls and 1 ruby -	1,786	8	0	
Do.	221, the 11th of	Asad Sudh	(15th July 1864) 64 pearls	20,706	12	0	
Do.	236, the 12th of	Asad Vudh	(30th July /64), (for 1 diamond necklace purchased from Prem Jusmut thro' Bychund Suckar, broker) -	26,351	0	0	
Journal page 54, the 4th of Seth Vud, 265 diamonds, weighing 291½ ruttees, at Rs. 76, being Rupees 22,154; and 1 diamond ring, Rupees 9,100, minus disct. nett - - - -				31,019	10	0	
				1,11,973	0	0	
Cash book, page 255, the 7th of Shrawun Vud, 1 pair diamond earrings, contg. 6 diamonds -				1,700	0	0	
Do.	289, the 1st of	Aso Sudh	(1 pearl pendant)	2,000	0	0	
Do.	290, the 2nd of	do.	(20 rubies)	644	14	0	
Do.	290, the 3rd of	do.	(1 ring) -	125	0	0	
Do.	314, the 12th of	Aso Vud	(27th October 1864), 1 diamond necklace	15,681	8	0	
Journal, page 78,			11 rubies	241	0	0	
				1,32,865	6	0	
Do.	146,		1 stone -	1,200	0	0	
Do.	148,		for workmanship -	46	9	0	
Do.	151,	(4 diamonds purchased from Bhychund Premchund of Poona) - - -		10,000	0	0	
				1,43,611	15	0	
				95,367	7	9	
				2,38,979	6	9	
Balance brought forward from old book, page 74 -				23,155	1	6	
Journal, page 171, the 30th of Aso Vud - -				238,979	6	6	
				238,979	6		
Do.	186,	do.	do. - -	23,155	1		

(A true Translation.)

NOWROZJEE FURDOONJEE,
Translator to the Commissio

TRANSLATION of an Entry in Premchund Roychund's Journal for Sumvat year 1920, page 171.

Credited to Jewels Account 30 of Aso Vud, R. 2,38,979 . 6 . 9, being the Amount due in the Jewels Account; but *as the Jewels were presented to different persons, and became part of the expenditure account,* the amount has been debited to the profit and loss account - - - - - - Rupees - 2,38,979 6 9

(A true Translation.)

NOWROZJEE FURDOONJEE,
Translator to the Commission.

Copy of Exhibit marked **R 22.**

TRANSLATION of a Gujrathi Account, marked **R 22** in Premchund Roychund's Ledger for Sumvat year 1921, page 137, referred to in Premchund Roychund's examination before the Bombay Bank Commission.

The Account of Jewel Ornaments for Sumvat year 1921 (1864–1865 A.D.)

Dr.				Cr.			
Cash book, page 5, the 8th of Kartuck Sood (8th October 1864) - - -	Rs. 1,977	8	0	Balance receivable the 30th of Aso Vud (19th October 1865) - - - -	2,327	8	0
Cash book, page 310, the 3rd of Vaisakh Sood (28th April 1865) - - -	350	0	0		2,327	8	0
	2,327	8	0				
Balance receivable the 1st of Kartuck Sood (20th October 1865) - - -	2,327	8	0				

(A true Translation.)

NOWROZJEE FURDOONJEE,
Translator to the Commission.

Copy of Exhibit marked **R 23.**

TRANSLATION of Entries in Premchund Roychund's cash book for Sumvat year 1921 (A.D. 1865) Page 299.

Dr.				Cr.			
				24th April 1865. Credited to the acct. of Back Bay shares. The particulars are these. Bought 5 shares from Mr Blair at Rupees 28,000 each, which were resold to Metta Jahviulall Domeeashunkir. The profit thereon at Rupees 4,000:—			
				Profit on 5 shares at Rupees, 4,000 -	20,000	0	0
				Interest on the price of 5 shares up to 1st July at 9 per cent. received from Mr Blair - -	2,929	5	0
					22,929	5	0
					22,929	5	0

(A true translation.)

NOWROZJEE FURDOONJEE,
Translator to the Bombay Bank Commission.

Copy of Exhibit marked **R 24.**

The Account of Mr. Blair of the Bank of Bombay for Sumvat year 1920 (A.D. 1863–1864) in Premchund Roychund's ledger, page 73.

Dr.				Cr.			
Cash book, page 89, the 6th of Magser Sood, 16th Decr 1863 - - -	20,797	12	10	Cash book, page 89, the 5th March /64 Page 213, the 4th of Asadsood (7th July /64) - - - - - -	20,797	12	10
Page 201, the 3rd of Jethvud (22nd June /64) - - - - - - -	20,000	0	0		20,000	0	0
Page 222, the 12th of Asadsood (16th July /64) - - - - - -	3,11,702	8	0	Page 222, the 12th of Asadsood (16th July /64) - - - - -	3,11,702	8	0
Total Rupees -	3,52,500	4	10		3,52,500	4	10

(A true translation.)

NOWROZJEE FURDOONJEE,
Translator to the Bombay Bank Commission.

Copy of Exhibit marked **R 25.**

TRANSLATION of an Account in Roychund Deepchund's Gujrathi Ledgers for Sumvat year 1920 (A.D. 1864), Pages 17 and 30.

The Account of Mr. Blair of the Bank of Bombay.

Dr.				Cr.			
Cash Book, page 5, 26 November (1863) (Cash)	4,000	0	0	Cash book, page 34, 9 March (1864) (cash by a cheque on the Bank of Bombay)	4,000	0	0
Cash Book, page 87, 8 August (1864), (paid by a cheque on the Asiatic Bank, for which a written acknowledgment has been taken)	20,000	0	0	Balance brought forward from old book, page 15	19	0	0
	24,000	0	0	Cash book, page 127, 8 August (1864) (debited to another account)	4,019	0	0
Cash Book, 129 page (cash)	19	0	0		20,000	0	0
	24,019	0	0	Rupees	24,019	0	0
Cash book, page 110, 3 October (1864), 17 shares of the Bank of Bombay	58,112	8	0	Cash book, page 111, 5 October (1864) (received from the Asiatic Bank on the deposit of 30 old shares of the Bank of Bombay)	1,00,000	0	0
Cash book, page 110, 4 October (1864), 13 shares of the Bank of Bombay, and 13 new shares	48,396	9	0	Cash book, page 115, 15 October (1864) (received from the Asiatic Bank on account of call on 30 new shares of the Bank of Bombay)	15,500	0	0
Cash book, page 114, 13 October (1864), for call in full of Bombay Bank shares	3,500	0	0		1,15,500	0	0
Cash book, page 114, 13 October (1864), call on 17 shares of the Bank of Bombay	5,100	0	0	Balance	52,679	1	0
	1,15,179	1	0	Rupees	1,68,179	1	0
Cash book, page 124, 18 October (1864), (1 share of the Victoria Co.)	33,000	0	0				
	1,48,179	1	0				
Cash book, page 127, 8 August (1864)	20,000	0	0				
Rupees	1,68,179	1	0				

(A true Translation.)
NOWROZJEE FURDOONJEE,
Translator to the Commission appointed
to inquire into the failure of the Bank of Bombay.

TRANSLATION of an Account in Roychund Deepchund's Gujrathi Ledger for Sumvat year 1921 (A.D. 1865), Page 9.

The Account of Mr. Blair of the Bank of Bombay.

Dr.				Cr.			
Balance brought forward from old book, page 30	52,679	1	0	Cash book, page 4, the 30 of Kartuck Vud (29 Novem^{r} 64), for 1 share of the Victoria Company (received from Mr. Reid)	45,500	0	0
Cash book, page 4, 17 Novem^{r} (1864) (paid into the Bank of B'bay for second call on 25 shares of the Bank of Bombay)	7,500	0	0	Cash book, page 16, 24 April (1865) (received by a cheque on the Asiatic Bank)	1,51,875	4	9
Cash book, page 5, 26 Novem^{r} (1864) (paid to Messrs. Ritchie, Stewart, & Co. for call on one share of the Victoria Company)	2,070	8	0	Cash book, page 16, the 30 of Chytra Vud (dividend on 13 shares of the Bank of Bombay)	1,040	0	0
Cash book, page 5, the 30 of Kartuck Vudh (stamp fee on account of the Share of the Victoria Company)	41	4	0	Rupees	1,98,415	4	9
Cash book, page 7, the 1st of Magsur Sudh (for fee on do.)	5	0	0				
Cash book, page 10, 4 January (1865) (paid for 3rd call on 25 shares of the Bank of Bombay)	10,066	7	0				
Cash book, page 10, the 5 of Posh Vud (paid for brokerage on the sale of 1 share of the Victoria Com^{y})	227	8	0				
Cash book, page 14, 27 February (1865) (stamp fee on new shares of the Bank of Bombay)	25	0	0				
Cash book, page 14, 22 February (1865) (for a draft)	1,15,500	0	0				
Cash book, page 16, 24 April (1865) (interest)	9,260	8	9				
	1,97,375	4	9				
Cash book, page 18, the 4 of Vysack Sudh (interest on 13 shares of the Bank of Bombay)	1,040	0	0				
Rupees	1,98,415	4	9				

(A true Translation.)
NOWROZJEE FURDOONJEE,
Translator to the Commission appointed
to inquire into the failure of the Bank of Bombay.

TRANSLATION of Entries in Roychund Deepchund's Cash Books relating to the account of Mr. Blair of the Bank of Bombay.

Sumvat year 1920.

Debit Side.

	Rs.
Page 5, 26th November 1863, debited to the account of Mr. Blair of the Bank of Bombay, Rs. 4,000, by a cheque on the Bank of Bombay, paid by Roychund himself - - -	4,000 0 0
Page 87, the 8th August 1864, debited to the account of James Blair of the Bank of Bombay, Rs. 20,000, by a cheque on the Asiatic Bank. A receipt has been taken for the amount -	20,000 0 0

Credit Side.

Cash Book, *page 34, the 9th March 1864,* credited the *account of Mr. Blair, cash* Rs. 4,000, by a *cheque on the Bank of* Bombay - - - - -	*4,000 0 0*
Cash Book, page 127, the 8th August, credited to the account of Mr. Blair of the Bank of Bombay. 8th August, debited to your other account -	20,000 0 0

Debit Side.

Cash book, page 110, the 3d October 1864. Debited to the account of Mr. Blair of the Bank of Bombay. Paid for 17 shares of the Bank of Bombay, purchased at Rupees 242 0 0 -	58,182 8 0
Cash Book, page 10, the 4th October 1864. Debited to the account of Mr. Blair. Call on 8 new shares at Rs. 300	2,400 0 0
8 Shares of the Bank of Bombay at Rs. 242 0 0 - - -	27,380 0 0
5 Shares of the Bank of Bombay at Rs. 242 0 0 belonging to M'Donald	17,112 12 0
First call on 5 Shares of the Bank of Bombay belonging to M'Donald -	1,500 0 0
For Stamp Paper for bond to the Asiatic Bank - - - - -	4 0 0
	48,396 9 0
Cash book, page 114, the 13th October 1864. Debited to the account of Mr. Blair of the Bank of Bombay. Full call on 5 new Shares of the Bank of Bombay, Rs. 5,000, out of which Rs. 1,500 have been debited before. Balance, Rs. 3,500, paid to Mrs. Macdonald by a cheque on that Bank by the hands of broker Premchund Liladhur - - - -	3,500 0 0
Cash book, page 114, the 13th October 1864. Debited to the account of Mr. Blair. Call on 17 new shares of the Bank of Bombay at Rs. 300 is Rs. 5,100, paid into the Bank of Bombay by a cheque on the Asiatic Bank - -	5,100 0 0
Cash Book, page 124, the 28th October 1864. Debited to the account of Mr. Blair of the Bank of Bombay. 1 Share of the Victoria Land Company (purchased) at Rs. 26,000 (premium) and Rs. 7,000 paid up, total - -	33,000 0 0
Credited to Tribhoonadass Dwarkadass - - Rs. 32,250	
Credited to Premchund Roychund - - - 750	
33,000	
	33,000 0 0
Cash book, page 125, the 8 August 1864. Debited to the account of Mr. Blair. Credited to your second account -	20,000 0 0

Credit Side.

Cash book, page 111, the 5 October 1864. Credited to the account of Mr. Blair of the Bank of Bombay Cash, Rs. 100,000, from the Asiatic Bank on the deposit of 30 old shares of the Bank of Bombay - - -	100
Cash book, page 115, the 15 October 1864. Credited to Mr. Blair of the Bank of Bombay. Received from the Asiatic Bank for call on 30 new shares of the Bank of Bombay. First call on 25 shares at Rs. 300 -	7,500 0 0
Full call on 5 shares at Rs. 1,000 - -	5,000 0 0
	12,500 0 0

Sumvat year 1921.

Debit Side.

Page 4.

17 Nov. 1864.
Debited to the account of Mr. Blair. Paid Rs. 7,500 into the Bank of Bombay for 2d call of Rs. 300 on 25 shares of the Bank of Bombay - - 7,500 0 0

Page 5.

26 Nov. 1864.
Debited to the account of Mr. Blair. Paid Rs. 2,070 8 to Ritchie, Steuart, & Co., for call of Rs. 2,000 on one share of the Victoria Land Comy., with interest - - - 2,070 8 0

Page 5.

26 Novemr. 1864.
Debited to the account of Mr. Blair. Stamp fee on one share of the Victoria Land Comy. - - - - 41 4 0

Pages 7, 10.

4 Jany. 1865.
Debited to the account of Mr. Blair. Amount paid for 3rd call on 25 shares of the Bank of Bombay Rs. 10,000, and interest Rs. 66 7 0, total Rupees 10,066 7 0 - - - 10,066 7 0

Do. Do. Do. Paid brokerage on one share of the Victoria Land Comy. - . - 227 8 0

Page 14.

27 Febry. /65.
Debited to the account of Mr. Blair. Stamp fee - - - - 25 0 0

Page 14.

22 Febry. /65.
Debited to the account of Mr. Blair, Rs. 1,15,500. Paid into the Asiatic Bank for a draft - - - 1,15,500 0 0

Page 16.

24 April /65.
Debited to the account of Mr. Blair. Amount of interest due by you on your account - - - 9,260 8 9

Page 18.

The 4 of Vysack Sudh.
Debited to the account of Mr. Blair. Amount of interest for 80 days on 13 shares of the Bank of Bombay - 1,040 0 0

Credit Side.

Page 4.

29 November 1864.	Rs.		
Credited to the account of Mr. Blair of the Bank of Bombay. Received Rs. 45,500 in cash from Mr. Reid for 1 share of the Victoria Land Company - - - - - -	45,500	0	0

Page 16.

24 April /65.			
Credited to the account of Mr. Blair of the Bank of Bombay. Received Rupees 1,51,875 4 9 by a cheque on the Asiatic Bank. Returned to you a note for Rupees 20,000 and 60 shares of the Bank of Bombay - - -	1,51,875	4	9

Page 16.

The 13 of Chytra Vud.			
Credited to the account of Mr. Blair of the Bank of Bombay. Amount of Dividend of 13 shares of the Bank of Bombay - - - - -	1,040	0	0

(A true Translation.)

NOWROZJEE FURDOONJEE,
Translator to the Commission appointed to inquire into the failure of the Bank of Bombay.

Copy of Exhibit marked **S 1.**

Bombay, 8th May 1866.

D. Robertson, Esqre.,
Manager Bank of Bombay.

Dear Sir,

I have now the pleasure to hand you my report upon the value of the precious stones, &c., submitted to my inspection on the 3rd and 4th inst. at your bank:—

Article No. 1.	A necklet composed of two emeralds, pear-shaped, weighing about 95 ruttees each; 4 ditto, ditto, about 75 ruttees each; 1 ditto, ditto, 60 ruttees; 1 ditto, ditto, 40 ruttees; 1 brilliant, weighing about 8 ruttees; 2 ditto, weighing, say, 4 ruttees, or a little more, each; 3 ditto, about 2 ruttees each; 30 ditto of from 1 to 1½ ruttees each; 22 ditto, ¼ of a ruttee and a little more each; and say about 20 ruttees small brilliants. I value this at -	Rs.	37,300
,, No. 2.	A necklet composed of 26 brilliants - -	,,	28,000
,, No. 3.	A necklet composed of 2 egg-shaped emeralds, 2 ditto rubies, 2 ditto sapphires, 1 polished uncut emerald, 3 square emeralds and 2 square sapphires, 4 button rubies, 3 diamond pendants, 2 oval diamond drops, 1 square brilliant, 285 small brilliants, and 2 emerald birds - -	,,	23,930
,, No. 4.	A necklet composed of 36 brilliants - -	,,	4,800
,, No. 5.	An armlet set with rose diamonds - -	,,	3,600
Article No. 6.	A bracelet, composed of 26 globes set with diamonds - -	Rs.	1,150
,, No. 7.	A rose-cut diamond ring	,,	4,500
,, No. 8.	A necklace composed of 83 diamonds in their natural forms and 40 emerald beads - -	,,	42,400
An emerald ring	- - - -	,,	1,200
A pair of pear-shaped emerald earrings, each emerald weighing say 50 ruttees	- - - - -	,,	5,300
A pair of pure brilliant earrings, composed of 2 round, 2 oval, and 1 small connecting brilliant	- - -	,,	4,840
A pair of diamond earrings	- -	,,	900
A pair of bracelets with 64 brilliants	-	,,	4,400
A pair of ditto 60 do.	-	,,	6,000
A pair of ditto. 52 do.	-	,,	8,500
A pearl necklace of small pearls, 336 in number with a quantity of seed pearls	- - - - -	,,	1,512
Seven diamonds in natural form, roughly cut and polished, 66 ruttees	- -	,,	7,920
A pearl necklace of 61 pearls, weighing about 2906½ chows	- - -	,,	34,878
A circular convex emerald, 47 ruttees	-	,,	370
An unset cut emerald, 16 ruttees	-	,,	800
A ditto ditto 13 do.	- -	,,	520
A ditto ditto 9 do.	-	,,	225
An emerald, pear-shaped, uncut but polished, 19 ruttees	- - -	,,	1,300
A pair of emerald earrings, with 2 emeralds 18 ruttees each and some diamonds	- - - -	,,	1,560
A pear-shaped pearl of great beauty, 111¼ chows	- - - -	,,	2,225
A paper containing 928 inferior rubies roughly cut and polished, 53 ruttees	-	,,	750
A small diamond pendant	- -	,,	80
A pear-shaped pearl of bad colour, 182 chows	- - - -	,,	546
A paper containing 18 inferior rubies weighing 27 ruttees	- - -	,,	216
Paper No. 2 containing 73 brilliants weighing 77 ruttees	-	,,	6,160
,, No. 3 do. 151 ruttees, rose diamonds	-	,,	7,550
,, No. 4 do. 141 ruttees, rose diamonds	-	,,	8,460
,, No. 5 do. 54 ruttees, brilliants	- -	,,	4,590
,, No. 6 do. 76 ruttees, brilliants	- -	,,	6,080
A gold charm, heart shaped, set with diamonds	- - - - -	,,	600
Paper No. 7, contg. 14 diamonds, roughly cut and polished, 28 ruttees		,,	2,240
,, No. 8, do. 3 pear-shaped emeralds, 19 ruttees, 20 ruttees, and 15 ruttees respectively	-	,,	1,600
,, No. 9, do. 39 rose diamonds, 33 ruttees	-	,,	1,320
,, No. 10, do. 6 rubies, 45 ruttees, uncut	-	,,	360
,, No. 11, do. 12 table diamonds, 28 ruttees	-	,,	1,680
,, No. 12, do. 22 table diamonds, 13 ruttees	-	,,	520
,, No. 13, do. 33 table diamonds, 12 ruttees	-	,,	480
,, No. 14, a diamond ring, about 1½ ruttees	- - -	,,	250

Paper No. 15, containing 14 table diamonds, 5 ruttees			Rs.	200
,, No. 16, one hexagonal emerald, 75 ruttees			,,	600
,, No. 17, containing 4 ruttees rose and table diamonds			,,	200
,, No. 18,	do.	13 table diamonds, 14 ruttees	,,	840
,, No. 19,	do.	3 cut emeralds, 21 ruttees	,,	840
			Rs.	2,74,292

I need not remark that these articles, more especially these of large value, are such as may not be saleable at all times at definite prices. In them many would not give Rs. 10,000 for what others might willingly give double that sum. It is therefore quite possible that these jewels may have cost more than the value I have placed upon them, yet it is equally possible they may, if forced into the market, produce less.

I would add that I have not tested the genuineness of all the stones, but have carefully inspected them generally, and I believe them to be such as I have described them.

I am, dear Sir,
Yours faithfully,
THOS. CRAWFORD.

Copy of Exhibit marked **S 2.**

D. Robertson, Esqre.,
Manager Bank of Bombay.

Dear Sir, Bombay, 23d May 1866.

With reference to my communication to you of date the 8th inst., I beg to report as follows upon a further batch of jewels since examined by me :—

A necklace formed of emerald beads, 86 in number, of various sizes, weighing about 140 ruttees		Rs.	1,680
A necklace formed of pearls, 74 in number, varying in size from 6 to 12 grains, in all say, 978 chows		Rs.	10,000
A ditto, ditto, ditto, 74 similar to above		,,	10,000
A bracelet, composed of 25 pearls of about 6½ grs. each, say 156 chows, and a ruby		,,	1,610
A ditto ditto 25 pearls and a ruby		,,	1,635
A ditto ditto 25 ditto		,,	1,590
A ditto ditto 25 ditto		,,	1,590
A ditto ditto 25 ditto of about 8 grains each, say, in all 225 chows		,,	2,250
A ditto ditto ditto		,,	2,250
A necklace of pearls, 170 in number, averaging 8¼ chows each		,,	14,450
A bracelet, composed of 188 pearls, averaging ½ chow each, and 7 brilliants		,,	1,100
A ditto ditto 187 ditto and 7 brilliants		,,	1,100
A necklet, composed of 105 rose diamonds, weighing in all about 60 ruttees		,,	2,500
A bracelet composed of 88 rose diamonds		,,	1,250
A pair of bracelets composed of 66 brilliants of about ¾ of a ruttee each		,,	4,500
A pair of bracelets composed of 66 brilliants smaller in size		,,	3,750
		Rs.	61,255

I remain, dear Sir,
Yours faithfully,
THOS. CRAWFORD.

Copy of Exhibit marked **T 1.**

Allow Dossabhoy Dhunjeebhoy to draw on credit account about 9 lacs, and deposit 25 shares B. Reclamation Co. 4th April 1865. (Sig.) A.M.

Endorsement.—Shares not yet lodged. (Sig.) 103

,, Shares to be lodged. (Sig.) A.M.

EXTRACTS from a Cash Credit Ledger of the Asiatic Banking Corporation, produced by William Steel, the constituted Attorney at Bombay of the Liquidator of the said Corporation.

Dossabhoy Dhunjeebhoy. B. R. a/c.

Date.	Particulars.	Ch. No.	Dr.	Cr.	Dr. or Cr.	Balance.	No. of Days.	Dr. Interest.	Cr. Interest.
1865.									
April 4	To Ch. K. Iranee - -	1	38,500 0 0		Dr.	38,500 0 0	1	38,500	
„ 5	„ Eduljee Sorabjee -	6	39,000 0 0		„	77,500 0 0			
	„ E. W. Flower - -	4	39,000 0 0		„	1,16,500 0 0			
	„ do. do. - -	5	38,500 0 0		„	1,55,000 0 0			
	„ Dadabhoy Ruttonjee -	3	38,500 0 0		„	1,93,500 0 0			
	„ Naginbhoy Roopchund -	7	38,500 0 0		„	2,32,000 0 0			
	„ Amerchund Deepchund -	2	38,500 0 0		„	2,70,500 0 0			
	„ Munchoobhoy Culliandass	8	38,500 0 0		„	3,09,000 0 0	1	3,09,000	
„ 6	„ Tapidass Virzdass -	9	39,000 0 0		„	3,48,000 0 0			
	„ Muncherjee Merwanjee -	10	38,500 0 0		„	3,86,500 0 0	1	3,86,500	
„ 7	„ Tarachund Manchund -	11	39,000 0 0		„	4,25,500 0 0			
	„ Javairchund Dewchund -	12	39,000 0 0		„	4,64,500 0 0			
	„ Dinshaw Eduljee -	13	38,500 0 0		„	5,03,000 0 0			
	„ I. Daurchund - -	14	39,000 0 0		„	5,42,000 0 0	3	16,26,000	
„ 10	„ Somnarayen, N. -	15	39,000 0 0		„	5,81,000 0 0	1	5,81,000	
„ 11	„ Naginbhoy, T. - -	16	77,000 0 0		„	6,58,000 0 0	1	6,58,000	
„ 12	„ Gordhun, G. - -	17	38,500 0 0		„	6,96,500 0 0			
	„ Merwanjee Rustomjee -	18	77,000 0 0		„	7,73,500 0 0			
	„ T. X. Pereira Com. Bank	20	37,500 0 0		„	8,11,000 0 0			
	„ D. MacCoombie - -	19	38,500 0 0		„	8,49,500 0 0			
	„ D. Bhugoobhoy -	21	78,000 0 0		„	9,27,500 0 0	1	9,27,500	
„ 13	„ Javairchund Dewchund -	22	38,500 0 0		„	9,66,000 0 0	78	7,53,48,000	
June 30	By part pro. of a Bill for Rs. 2,40,000, discounted to N. R. Mothabhoy this day - -			2,00,000 0 0	„	7,66,000 0 0	87		
	„ do. do. do.			40,000 0 0	„	7,26,000 0 0		7,98,74,500	
	To Interest at 12 °/₀ - -		26,260 1 9		„	7,52,260 1 9			
	By Balance to new a/c - -			7,52,260 1 9					
		Rs.	9,92,260 1 9	9,92,260 1 9				Dr. Int. at 12°/₀	Rs.26,260 1 9
1865.									
June 30	To Balance from old a/c -		7,52,260 1 9		Dr.	7,52,260 1 9			

Premchund Roychund. B. R. a/c.

1865.									
June 30	To Balance from old a/c -		7,52,260 1 9		Dr.	7,52,260 1 9	31	2,33,20,060	
July 31	To Ch. Pranlall, M. - -	1	20,900 0 0		„	7,73,160 1 9			
	„ Trimbuckram Dyanath -	2	11,000 0 0		„	7,84,160 1 9			
	„ Demchd. Tullockchd. -	6	10,600 0 0		„	7,94,760 1 9			
	„ Ramjee Nemchund -	3	42,300 0 0		„	8,37,060 1 9			
	„ Atmaram Hurkison -	4	10,500 0 0		„	8,47,560 1 9			
	„ Hutteysing Kesrising -	5	11,000 0 0		„	8,58,560 1 9			
	„ Atmaram Hurkison -	8	10,500 0 0		„	8,69,060 1 9			
	„ Eduljee Nowrojee -	7	21,450 0 0		„	8,90,510 1 9			
	„ Sorabjee B. Colah -	9	11,100 0 0		„	9,01,610 1 9	1	9,01,610	
Aug. 1	„ Hurrockchund Purshotum		11,000 0 0		„	9,12,610 1 9	1	9,12,610	
„ 2	„ Mooljee Manjee - -	11	55,500 0 0		„	9,68,110 1 9			
	„ Framjee Bomanjee -	10	11,100 0 0		„	9,79,210 1 9			
	„ Hurruckchund Purshotum	12	11,100 0 0		„	9,90,310 1 9	9	89,12,790	
„ 11	„ Javairchund Davch. -	13	29,550 0 0			10,19,860 1 9	106	10,81,05,160	
Nov. 25	To Transfer Stamp on Share No. 807, Bombay R.C. -		7 8 0		„	10,19,867 9 9		1,93,77,473	
Dec. 14	To Transfer Fee on B. R. Share No. 896, transferred to Mr. A. Morrison - - -		5 0 0		„	10,19,872 9 9	16	1,63,17,952	
„ 30	To Interest at 10 °/₀ - -		48,725 6 1		„	10,68,597 15 10			
	By Balance to new a/c - -			10,68,597 15 10			183	17,78,47,655	
		Rs.	10,68,597 15 10	10,68,597 15 10				Dr. Int. at 10°/₀	Rs.48,725 6 1
1865.									
Dec. 30	To Balance from old a/c -		10,68,597 15 10		Dr.	10,68,597 15 10	182	19,44,84,654	
June 30	To Interest at 12 °/₀ - -		63,940 2 5		„	11,32,538 2 3			
	By Balance to new a/c - -			11,32,538 2 3				Dr. Int. at 12°/₀	Rs.63,940 2 5
		Rs.	11,32,538 2 3	11,32,538 2 3					
1866.									
June 30	To Balance from old a/c -		11,32,538 2 3		Dr.	11,32,538 2 3	83	9,40,00,654	
Sept. 29	To Int. at 12 °/₀ to 21 Sept. 1866								
1867.									
Jan. 24	By (50) Shares Bbay. Recla. Co. taken over at Rs. 2,700 each -			1,35,000 0 0		9,97,538 2 3		Dr. Int. at 12°/₀	Rs.30,904 5 2
	To Int. at 12 °/₀ to 21st Sept. 1866		30,904 5 2			10,28,442 7 5			

Copy of Exhibit marked **T 2.**

EXTRACT from a Current Deposit Ledger of the Asiatic Banking Corporation, produced by William Steel, the constituted Attorney at Bombay of the Liquidator of the said Corporation.

Cash Credit.

Dossabhoy Dhunjeebhoy D. Int. at 9°/₀. 142.

Date.	Particulars.	Ch. No.	Dr.	Cr.	Dr. or Cr.	Balance.	No. of Days.	Dr. Interest.	Cr. Interest.
1864.									
Nov. 9	To cheque, P. Roychund -		4,05,900 0 0		Dr.	4,05,900 0 0	52	2,11,06,800	
Dec. 31	To int. at 9 °/₀ - -		5,204 6 7			4,11,104 6 7			
	By balance to new a/c, L. No. 1., Fol. 99.			4,11,104 6 7					
		Rs.	4,11,104 6 7	4,11,104 6 7					

EXTRACT from the Cash Credit Ledger of the Asiatic Banking Corporation, produced by William Steel, the constituted Attorney at Bombay of the Liquidator of the said Corporation.

Dossabhoy Dhunjeebhoy on Security of Bank of Bombay Shares. 99.

Date.	Particulars.	Ch. No.	Dr.	Cr.	Dr. or Cr.	Balance.	No. of Days.	Dr. Interest.	Cr. Interest.
Dec. 31	To balance from old a/c L. No. 1. f. 142 - - -		4,11,104 6 7		Dr.	4,11,104 6 7	20	82,22,080	
1865.									
Jan. 20	To stamp to P/A to sell your Bank of Bombay shares -		4 0 0		,,	4,11,108 6 7	5	20,55,540	
,, 25	By cash - - -			7,200 0 0	,,	4,03,908 6 7	96	3,87,75,168	
May 1	To Ch. Shapoorjee Ardaseer -	1	5,000 0 0		,,	4,08,908 6 7			
	To Transfer Fees on Bbay. Bk., shares - - -		10 0 0			4,08,918 6 7			
	By above Ch. entered in error -			5,000 0 0		4,03,918 6 7	60	2,42,35,080	
June 30	To Interest at 12 °/₀ - -		24,094 10 3			4,28,013 0 10			
	By Balance to new a/c - -			4,28,013 0 10			181		
		Rs.	4,40,213 0 10	4,40,213 0 10				7,32,87,868	
1865.								Dr. Int. at 12°/₀	Rs 24,094 10 3
June 30	To Balance from old a/c -		4,28,013 0 10		,,	4,28,013 0 10	183	7,83,26,379	
Dec. 30	To Interest at 10°/₀ - -		21,459 4 6		,,	4,49,472 5 4			
	By Balance to new a/c - -			4,49,472 5 4					
		Rs.	4,49,472 5 4	4,49,472 5 4				Dr. Int. at 10°/₀	Rs 21,459 4 6
1865.									
Dec. 30	To Balance from old a/c -		4,49,472 5 4		,,	4,49,472 5 4	27	1,21,32,744	
Jan. 26	By part of div. war. on 180 shares Bank of Bombay at 8°/₀ -			7,200 0 0	,,	4,42,272 5 4	97	4,29,00,384	
May 3	By cash pro. of 15 Bbay. Bank shares at 12°/₀ pm. - -			16,715 0 0	,,	4,25,557 5 4	2	8,51,114	
,, 5	By pro. 1 share B.B.K. 13½°/₀ -			12,269 8 0	,,	4,13,287 13 4	3	12,39,861	
	,, 10 do. 12°/₀ -								
,, 8	,, of 7 Bbay. Bank shares at par, thro' Shapoorjee and Rustomjee, less stamps, brokerage, &c. - - - -			6,957 8 0	,,	4,06,330 5 4	1	4,06,330	
,, 9	,, do. do. thro' Merwanjee, broker - -			6,957 8 0	,,	3,99,372 13 4	1	3,99,372	
,, 10	,, of 14 Bbay. Bank shares at par, thro' Merwanjee, broker			13,922 8 0	,,	3,85,450 5 4			
	,, of 3 Bbay. Bank shares at par - - - -			2,980 0 0	,,	3,82,470 5 4	1	3,82,470	
,, 11	,, of 5 Bbay. Bank shares at par - - - - -			4,972 8 0	,,	3,77,497 13 4	1	3,77,497	
,, 12	,, 8 Bbay Bank shares at par, Burjorjee, broker -			7,955 0 0	,,	3,69,542 13 4			
	,, 57 Bbay. Bank shares at par - - - -			57,000 0 0	,,	3,12,542 13 4	2	6,25,084	
,, 14	,, 2 Bbay. Bank shares at par, thro' Burjorjee, broker -			1,987 8 0	,,	3,10,555 5 4			
	,, 5 do. do. thro' Merwanjee - - -			4,972 8 0	,,	3,05,582 13 4	1	3,05,582	
,, 15	,, 5 do. do. thro' Merwanjee, broker - -			4,972 8 0	,,	3,00,610 5 4	1	3,00,610	
	Carried forward -		4,49,472 5 4	1,48,862 0 0			137	5,99,24,048	

Date.	Particulars.	Ch. No.	Dr.	Cr.	Dr. or Cr.	Balance.	No. of Days.	Dr. Interest.	Cr. Interest.
1866.	Brought forward -		4,49,472 5 4	1,48,862 0 0	Dr.	3,00,610 5 4	137	5,99,24,048	
May 16	By pro. Bbay. Bank share at par			1,000 0 0	,,	2,99,610 5 4	1	2,99,610	
,, 17	To Brokerage for selling your 58 shares Bbay. Bank, at par, to Bombay Bank, Rs. 145 0 0								
	Transfer Fee - 17 8 0		307 8 0		,,	2,99,917 13 4			
	Stamp Fee - 145 0 0								
	307 8 0								
	By pro. 5 Bbay. Bank shares, at par, thro' Merwanjee - -			4,972 8 0	,,	2,94,945 5 4	4	11,79,780	
,, 21	,, 8 do. do. - -			7,957 8 0	,,	2,86,987 13 4	2	5,73,974	
,, 23	,, 10 do. do., at par			9,947 8 0	,,	2,77,040 5 4	3	8,31,120	
,, 26	,, 15 do. do., at par			15,000 0 0		2,62,040 5 4	3	7,86,120	
,, 29	To charges on 15 Bank of Bbay. shares sold at par - -		85 0 0		,,	2,62,125 5 4			
	By proceeds 2 Bombay Bank shares at par - - -			1,987 8 0	,,	2,60,137 13 4	32	83,24,384	
June 30	To Interest at 12% - -		23,644 9 9			2,83,782 7 1			
	By Balance to new a/c - -			2,83,782 7 1			182	7,19,19,036	
		Rs.	4,73,509 7 1	4,73,509 7 1				Dr. Int. at 12%	Rs. 23,644 9 9
1866. June 30	To Balance from old a/c - -		2,83,782 7 1		,,	2,83,782 7 1	91	2,58,24,162	
1867. Jan. 18	By Balance at credit of C.D. a/c transferred to this a/c - -			29 4 0	,,	2,83,753 3 1			
	To Interest at 12% to 29 Sept. 1866 - - -		8,490 2 1		,,	2,92,243 5 2			
May 4	By one share Bbay. Reclamation Co., No. 714, taken over -			1,500 0 0	,,	2,90,743 5 2		Dr. Int. at 12%	Rs. 8,490 2 1
Nov. 22	,, Cash - - -			1,500 0 0	,,	2,89,243 5 2			
1868. Feb. 12	,, part payment to a/c - -			1,750 0 0	,,	2,87,493 5 2			
,, 28	,, do. do. - -			500 0 0	,,	2,86,993 5 2			
March 27	,, do. do. - -			1,250 0 0	,,	2,85,743 4 2			
,, ,,	,, Balance transferred to Bad and Doubtful Debt a/c -			2,85,743 5 2	,,	Nil.			

Copy of Exhibit marked **T 3.**

EXTRACT from a Cash Credit Ledger of the Asiatic Banking Corporation, produced by William Steel, the constituted Attorney at Bombay of the Liquidator of the said Corporation.

Page 23.

Nusserwanjee Ruttonjee & Co. Loan a/c, No. , Back Bay Shares.

Date.	Particulars.	Ch. No.	Dr.	Cr.	Dr. or Cr.	Balance.	No. of Days.	Dr. Interest.	Cr. Interest.
1865. August 26	To cost of Back Bay shares -								
	2 BB shares @ 5950....Rs. 21,900								
	1 ,, @ 5850.... 10,850								
	1 ,, @ 6050.... 11,050		43,800		Dr.	43,800			
	Rs. 43,800								
	1 share @ 5850 Premium 1 -		10,850			54,650	4	2,18,600	
30	3 Back Bays @ 9000 Prem. -		42,000			96,650	1	96,650	
31	1 Do. 8500 ,, -		13,500			1,10,150			
	3 Do. 9000 ,, -		42,000			1,52,150			
	5 Do. 7500 ,, -		62,500			2,14,650			
	2 Do. 9000 ,, -		28,000			2,42,650			
	2 Do. 9000 ,, -		28,000			2,70,650			
	1 Do. 9000 ,, -		14,000			2,84,650			
	1 Do. 8500 ,, -		13,500			2,98,150	1	2,98,150	
Septr. 1	1 Do. 9000 ,, - Thro' Merwanjee & Byramjee.		14,000			3,12,150			
	1 Back Bay @ 9000 Prem. - Thro' Merwanjee Burjorjee.		14,000			3,26,150	1	3,26,150	
2	1 Back Bay @ 9000 Prem. - Thro' Mr. Brooks.		14,000			3,40,150			
	5 Back Bays @ 9000 Prem. - Thro' Merwanjee & Byramjee,		70,000			4,10,150	3	12,30,450	
5	6 Back Bays @ 9500 Prem. -		87,900			4,97,150	116	5,76,69,400	
							126		
								5,98,39,400	

Dr. Int. @ 10 /_ Rs. 16,394 5 8

Exhibit T 3—*continued.*

Copy from the Register of Loans of the Asiatic Banking Corporation, produced by William Steel, the constituted Attorney at Bombay of the Liquidator of the said Corporation.

P. 68.

Custoorchund Roychund.

Date.	No.	To whom granted.	Term.	Rate.	Amount of Loan.	Balance.	Description of Security.	Amount paid up.	When due.	Remarks.
1866.						Rs.				
May 29	3/27			12/%		4,97,150 0 0	150 new shares Finl. of India and China			
August 3	3/27	By distribution, Rs. 350 per share; Union Shippg. Co. 5 shares					150 old do. do.			Interest at 12% due from 31 August /65.
„ 27	„	By proceeds, one share Royal Spinning and Weaving Co.			1,750 0 0	4,95,400 0 0	25 do. do. 48 Bombay Press Company.			
Sept. 6	„	By do., 5 shares sold			605 12 0	4,94,794 4 0	7 Cowasjee Framjee Press Company	Taken over.		
„ 7	„	„ do., 2 do.			3,004 8 0	4,91,789 12 0	8 B'bay Royal Spinning & Weaving Coy.	1 sold 27/8/66.	All sold.	
„ 26	„	By amount dividend Rs. 1,125 each on 2 shares Viegas Patent Slip Co.			1,201 12 0	4,90,588 0 0	65 Broach Cotton Mills Co.	Sold 4th January 1867.		
December 5	„	By proceeds 75 Viegas Patent Slip.			2,250 0 0	4,88,338 0 0	75 Viegas Patent Foundry Co.	Sold 26/9/66.		
1867.		To call Rs. 100 p. sh. on 7 Framjee Cowasjee P. P. Co.			11,145 12 0	4,77,192 4 0	7 Iron Ship Company	Taken over.		
January 5	„	By proceeds 65 Broach Cotton Mills sh. at Rs. 200 each			705 13 3	4,77,898 1 3	5 Union Shipping Company 500 Carnatic Coffee Company	Taken over.		Sent to Madras for sale. Sold.
„ 31	„	By 7 Iron Ship Co.'s sh. taken over at Rs. 700 each			12,795 0 0	4,65,103 1 3	37 Bombay Reclamation Company	1,85,000.	Taken over.	
„ „	„	By 7 sh. Framjee Cowasjee Patent Press Coy. taken at Rs. 550 each			5,250 0 0	4,59,853 1 3	Promissory note by Pestonjee Jehangeer to Premchund Roychund, p.	58,000.		
„ 19	„	By 37 Bombay Rec. Coy.'s shares taken over at Rs. 2,600 each			3,850 0 0	4,56,003 1 3				
June 18	„	To entry of 31st Jany., reversed shares not transfble			96,200 0 0	3,59,803 1 3				
„ „	„	By 5 sh. Union & Shippg. Compy. taken over at Rs. 750			3,850 0 0	3,63,653 1 3				
October 25	„	By proceeds 500 Carnatic Coffee Compy. shares sold by auction at Madras for Rs. 5,305 less chrgs.			3,750 0 0	3,59,103 1 3				
1868.					4,761 12 5	3,55,141 4 10				
January 21	„	By amt. of compromise of the P/N by Pestonjee Jehangeer Tarachund to Premchund Roychund for Rs 58,000			15,000 0 0	3,40,141 4 10				

Copy of Exhibit marked **T 4.**

EXTRACT from a Current Deposit Account Ledger of the Asiatic Banking Corporation for the year 1867, produced by William Steel, the constituted Attorney in Bombay of the Liquidator of the said Corporation.

Page 1630.

D. Robertson, Special against Liability on his A.B.C. Shares.

Date.	Particulars.	Ch. No.	Dr.	Cr.	Dr. or Cr.	Balance.	Days.	Interest due to the Bank.	Interest due by the Bank.
1867.									
Nov. 9 -	By distribution of Rs. 1,750 per sh. on 5 B. Bay Rec. sh. -		- -	8,750	Cr.	8,750			
„ 26 -	By pro. 3 sh. do. do. at Rs. 50 each		-	150	—	8,900			
1868.									
Feb. 19 -	To account transferred to H.O. operation - - -		8,900	- -	—	Nil.			

Copy of Exhibit marked **T 5.**

Bombay, 28th May 1866.

Rs. 4,97,150.

On demand I promise to pay to the order of the Asiatic Banking Corporation the sum of Company's rupees Four hundred and ninety-seven thousand one hundred and fifty, bearing interest at twelve per cent. from 31st August 1865, value received.

Collaterally secured by the deposit of shares as noted on the other side.

(Signed) CUSTOORCHUND ROYCHUND.

Witness

(Signed) Dossabhoy Dhunjeebhoy.

Endorsement.

150 new and 150 old shares, Financial Association of India and China.
48 shares Bombay Press Company, Limited.
25 do. Financial Association of India and China.
7 do. Framjee Cowasjee Patent Press Company.
8 do. Bombay Royal Spinning and Weaving Company.
65 do. Broach Cotton Mills Company.
75 do. Viegas Patent Slip and Foundry Company.
7 do. Iron Ship Company.
5 do. Union Shipping Company.
500 do. Carnatic Coffee Company.
Promissory note Pestonjee Jehangeer to Premchund Roychund for rupees 58,000.
37 Bombay Reclamation Company's shares.

Copy of Exhibit marked **T 6.**

Give Muserwanjee Ruttonjee & Co. 5 lakhs on 50 B B shares, balance to be paid by them.

Sig. A.M.

Copy of Exhibit marked **T 7.**

EXTRACT from page 225 of the Subsidiary Ledger of the Asiatic Banking Corporation from the account headed "Bad and Doubtful Debt Account," produced by William Steel, the constituted Attorney at Bombay of the Liquidator of the said Corporation.

Date.	Particulars.	Debit.	Credit.	Dr. or Cr.	Balance.
1868.					
Mar. 27	To balance of Dossabhoy Dhunjeebhoy's cash credit account transferred	2,85,743. 5. 2			

Copy of Exhibit marked **T 8.**

Government Telegraph Department. Calcutta, No. 7. Office Monthly No. 1426.

From Calcutta, B.G., N.Z., to Bombay thro' Madras.
From Steel, to Asiatic Bank.

Words 28, P. 8.

Thirteenth. Dissipated dollars coming in French steamer to cover Hong Kong drafts, due fifth. You might draw deposited three days' sight against them.

13th., 12—45.

Translation.

Thirteenth. £70,000? dollars, coming in French steamer to cover Hong Kong drafts due fifth; you might draw £15,000 three days' sight against them.

Copy of Exhibit marked **T 9.**

Government Telegraph Department. Galle, No. 1. Office Monthly No. 1058.

Singapore, B. & L. to Bombay.
From Davidson to Morrison. Asiatic Bank.

Words 51 pp.

Hong Kong capital invested, to London Bank currency crandareens Shanghai quotations, June twenty-third Singapore capital deposited to London stock invested to London Currency taels, steady Hong Kong assets, credits to Calcutta Singapore gilders exhausted to Calcutta per French mail London and Calcutta are advised by will Second

9th 6 36.

Translation.

Translation of telegram from Singapore to Bombay, dated 2d July 1866, and received in Bombay 10th July 1866, and referred to in Asiatic Banks Agent to Bank of Bombay, dated 13th July 1866.

Hong Kong remittances in bills to London, £5,000. Bank exchange, 4/6. Shanghai quotations, June 23d. Singapore remittances in bills to London, £15,000. Sovereigns £5,000 to London. Exchange 4 1½. Hong Kong Dollars, £60,000 to Calcutta. Singapore Guilders 3 lakhs to Calcutta, per French mail. London and Calcutta are advised by wire. Second.

Copy of Exhibit marked **U 1.**

Know all men by these presents that I, Sylvester Douglas Birch, of Bombay, do hereby make, nominate, constitute, and appoint James Blair, of Bombay, my true and lawful Attorney for me and in my name and on my behalf to sign and execute the Memorandum and Articles of Association of the Bombay Reclamation Company, Limited, for and in respect of all and every or any Shares in the said Company which have been or may be allotted to me, and generally to do all that it may be necessary should be done to show an acceptance by me of such Shares or Share.

As witness my hand this eighth day of July, one thousand-eight hundred and sixty-four.

(Sd.) S. D. BIRCH.

(Sd.) J. C. GRAVES, Major,
Commandt. 3rd Bombay Light Cavalry.

(Sd.) W. G. HUNTER,
Asst. Surg. Bombay Medical Establishment.

Copy of Exhibit marked **U 2.**

CIRCULAR.

No. 2005 OF 1864.

General Department.

Bombay Castle, 16th November 1864.

To

Sir,—In forwarding, for communication to all Officers under your control, the annexed Extracts* from the Proceedings of Government in 1861 to 1863, portions of which have been already published, the Governor in Council considers it necessary to recall to the recollection of all Departments of the Government Service that so recently as the 31st May 1862 the Right Honourable the Secretary of State recorded his decision that although, as a general rule, he saw no objection to the servants of Government holding shares in Joint-Stock Companies, having for their object the development of the resources of the country, still it was necessary to impose the restriction that public servants should take no part in the management of such Institutions, and should *not be employed within the Districts where the operations of the Company might be carried on.*

* Extract (paragraphs 2 to 10) of a Minute by Sir George Clerk, dated 15th November 1861.
Extract (paragraphs 1, 4, 5, and 6,) of a Minute by Sir George Clerk, dated 26th December 1861.
Letter from the Government of India, No. 1,421, dated 11th March 1862.
Extract from the Proceedings of the Government of India, No. 453, dated 16th January 1863.

2. The Right Honourable the Secretary of State for India likewise concurred in the view held by Sir George Clerk, that supersession in promotion was the proper and practicable course for enforcing the orders of Government in this respect.

Vide notification of the Government of India, No. 383, of the Home Department, Revenue, dated Fort William, 16th January 1863, republished in *Government Gazette* of Bombay under date February 4th, 1863.

3. His Excellency the Governor in Council now desires to point out to all public servants of Government at this particular period, when there is so strong a tendency to speculation in Bombay, the extreme importance of obedience to the *spirit* of all the previous orders above alluded to, rather than to the mere letter of the law, and to repeat that Government will be guided in its action in accordance with the principles laid down by Sir George Clerk, concurred in by the Government of India and the Right Honourable the Secretary of State.

4. The Governor in Council has no wish to go further than is absolutely necessary in defining by specific restrictions limitations easily recognized by that high-toned sense of public duty which has always stood out as one of the strong characteristics of the Indian services. He believes it to be sufficient to remind all public servants of the great importance of avoiding any connection, however remote, with any undertaking which might tend to fetter their action or divert them from the numerous and important responsibilities imposed by the public service upon them.

5. Without, therefore, attempting to lay down stringent rules on the subject, the Governor in Council would caution every one connected with the Government, or belonging to any Department or Office at or near the Presidency, in which the affairs of any Company are likely to form a matter of official reference or discussion, that he will run extreme risk of having his motives misconstrued, more especially during the present period of excitement, should he become a shareholder in any such Company.

6. Where any Officer has held shares, under the general permission accorded by Government, previous to his appointment to such an office as has been above described, and he wishes to retain them as an investment, the case is materially altered, and his Excellency in Council confidently leaves such cases to be dealt with according to each Officer's sense of the proper course to be followed in the spirit of the instructions now laid down.

I have the honour to be,
Sir,
Your most obedient servant,
E. W. RAVENSCROFT,
Offg. Chief Secretary to Government.

EXTRACT (paragraphs 2 to 10) of a Minute by Sir George Clerk, dated 15th November 1861.

2. I have always been of opinion that the public servants of our Indian Government, either here or at home, ought to be precluded from engaging in speculations in India. It cannot be right that there should be constant clashing of the private and public interests of functionaries whose duty it is to protect public rights, amongst the most numerous of which are those of our Native subjects. Every one exercising official functions may as such be in communication with railroad, flotilla, cotton, oil, or diggings Companies; and it is clear that he would not be justified in turning, in any degree, to his own purpose information obtained in the course of his official career. Therefore, the servants of the State ought never to be in the position of Directors or Shareholders.

3. The purity of British administration in India, so far as concerns the European section of it, is, to a great extent, to be ascribed to all its members being liable to summary dismissal for trading. And it was to maintain this condition of the public service in India that its Officers have not been permitted to have recourse to that mode of seeking to increase their incomes which, in our other colonies, has occasioned so many wars and so immense a waste of imperial treasure. Instead of allowing its servants to blend their official duties with the avocation of sheep-farmers, share-speculators, quartz-crushers, or land-sharks, the Indian Government has paid liberal salaries, and so saved the people from the manifold wrongs which must ever affect them when their rulers are addicted to irregular mercenary transactions.

4. Of course it is difficult to draw a line between one sort of trading speculation and another. Even engaging in so-called "farms" in India cuts at the root of an administrative system, which, by means of high pay from the public treasury, aims at securing constant attention on the part of public servants, when not on leave, to their appointed and well remunerated duties. The evil consequences of that mildest form of Civilian's speculations having attracted my notice in the North-West Provinces, I published, when Lieutenant Governor there, an order putting a stop to it, after two years given to proprietors to wind up and dispose of such jobs. That order was subsequently approved by the Governor General in Council, and made applicable to British India generally.

5. No doubt, taking shares in public works in India appears to be a practice which is now silently creeping in among other indulgences which are impairing the vigour of the service in British India. It is to be regretted that such is the case; and I always have regretted every measure which tends to paralyze or divert the local cares of the few men to whom the administration of our vast empire here is intrusted from any of their multitudinous duties connected with the welfare of the many millions of our subjects. It has been attempted to justify this loose and pernicious habit of gambling here on the grounds that our legislators in England applied their private means to the great work of modern times. But the speculations of our legislators in those railroad schemes, whether useful projects or bubbles, proved very detrimental to the public interests in general. And had it been otherwise, the condition of the two classes of functionaries in that country and in this is very different as regards pecuniary means, and therefore as regards the time and the attention absorbed in an excitement so novel and so exhaustive of means as are such pursuits to European gentlemen in this country. I do not suppose that all the members of the Civil Service in India could without borrowing provide an amount of money sufficient to construct one hundred miles of railroad with subsidiary buildings, and certainly not at the rate of expenditure of the "East Indian Railway." And it is further to be noted, that although before closing the gaming houses in England, their notorious high play was commonly denounced as disreputable and immoral, the spirit of clandestine gambling which, among the higher and middle classes, took the place of it in Westminster, the City, and the several affiliated brokerages for shares in all the commercial cities in England, was not so regarded. On the contrary, under the guise of respectability borrowed from rank and official position, the pursuit became commonly diffused among every class, and tens of thousands of poor families were involved in penury in consequence of the force of those examples serving to encourage gambling. I believe it is now very generally admitted that the tone then given to that propensity was unfortunate for England in various ways. The Government should be careful not to err in the same way in this country.

6. We are now verging towards colonization in India, and, if properly supervised at first, a very good thing

it will be for this country. But it would be a subject of endless regret were we not to profit by the lesson which may be read in observing British colonization elsewhere, and so abstain from those dishonest schemes and ruthless aggressions on ancient rights for which the blood of Natives and of British troops has been so abundantly shed, and for which alone so many millions of British treasure have been there expended. To be sure, such misdeeds, if repeated here, would not be at the charge of Imperial funds, but of Indian. But, considering the present condition of both, that would be a still greater calamity. It is not to be feared that the dominant class will treat the Natives here with equal disregard of their rights, and the same degree of contempt. The resistance shown, after much endurance, by Kaffirs and by Maoris—to say nothing of what has been learnt of late years in India—shows that there are some descriptions of injury which will excite any people to rebellion. But what is always to be guarded against in such circumstances is the reliance of the British speculator on support from British troops; and the higher the social position and influence of the speculator in these distant countries, especially if he has official influence, the greater the probability that such false aid and high-handed encouragement will be available.

7. But there is another point of view from which those in the service of India, in this country or at home, who desire to speculate, should regard the subject. It is this. Should success attend their efforts, and those of their advocates in the public journals, to attain this object, who that has observed the conditions of service elsewhere in British dominions can doubt that, with the concession of the supposed boon, the salaries now fixed at 5,000*l.*, 3,000*l.*, or 1,000*l.* a year will soon subside to 500*l.*, 300*l.*, and 100*l.*, and so in proportion in all grades of the public service, the liberal allowance of leave remaining perhaps as it now is.

8. No one desires more than I do to see gentlemen in India, Military, Civil, and Covenanted or Uncovenant, withdraw from the service with their savings, and invest them in the land, the forest, the coffee farms, or the tea plantations, or even to leave them, if they prefer gambling, to pursue stockjobbing. For from all, excepting the last, great would be the benefit arising to the people and to the country from the capital, the intelligence, the civilization, and the benevolent measures which would so be diffused among them.* But no fact connected with such undertakings in India is better established than that to make them profitable residence is indispensable; and to suppose that while so engaged, either bodily or mentally, proprietors could ever do justice to duties of the character of those which devolve on the administrator in India, would be simply absurd.

9. When the last effort was made, not long ago, to carry through these schemes, it was proposed, by way of compromise, that the official should be restricted from following such avocations in the Zilla in which he may be serving. One consequence of this would be, that the requirement of the Government for his services in any particular locality must be made subordinate to the inquiry which would have to be instituted regarding the exact situation of concerns interesting him in his trading capacity.

10. I trust, therefore, that the day may be distant, or may never be known, when in India that fallacious economy prevails of enlisting the educated European on the seemingly cheap terms of small salary, with livelihood to be eked out by ventures in trade and stockjobbing, and that the propriety of avoiding the inconvenience and risk of trusting public servants who embark in projects, and cherish private interests, that at times must be incompatible with a steady regard for their official duties, will be everywhere felt and admitted.

EXTRACT (paragraphs 1, 4, 5, and 6) of a Minute by Sir George Clerk, dated 26th December 1861.

1. I alluded to some prohibitory orders which, I believe, were published by the Government of the North-west Provinces and by the Government of India in 1843–44. Although I have not succeeded in procuring copies of all the documents connected with this subject, I find in the Secretariat here ample evidence of the intention of the authorities at home and in Calcutta to deter their public servants from engaging in speculations. The official Gazette of the 3rd February 1844 from Calcutta contains the following extract of a letter, No. 7, of the 24th November 1843, from the Honourable the Court of Directors, having reference even to Medical Officers in Civil employment:—

9. Although Medical officers possess no civil authority, and are unconnected with the collection or management of the revenue, we are nevertheless of opinion that it is undesirable their attention should be drawn from their regular duties by being concerned in any description of speculation within their immediate Districts; and we, therefore, direct that the prohibition contained in paragraph 53* of our despatch to the Government of India, dated 23rd February 1842, be extended to Medical Officers appointed to Civil Stations;

* Paragraph 53.—"We direct the invariable observance of the rule of the Service, that no Officer holding civil authority in a district shall, directly or indirectly, be a holder of land, or be concerned in any description of speculation therein."

and from a correspondence between this Government and the Government of India in 1852–53, it appears that some officers at the head of important Departments in Bombay, both Civil and Military, having engaged in private banking and other companies,—amongst others the "India and British Life Assurance," the Auditorship of the "Oriental Bank Corporation," a "Steam Navigation Company," a "Tramway Company," the "Commercial Bank," the "Mercantile Bank," the "Agra Bank," "Sind Bank," &c.,—the following Resolution of the Government of India was ordered to be republished in the *Bombay Gazette*:—

"No. 462.

"FORT WILLIAM, HOME DEPARTMENT.

"*The 28th May* 1852.

"NOTIFICATION.—The Most Noble the Governor General in Council is pleased to notify for general information, that, under instructions from the Honourable the Court of Directors, all servants of the East India Company, whether Civil or Military, Covenanted or Uncovenanted, are strictly prohibited from taking any part in the management of Banks or any other Trading Companies, except as simple Shareholders, the only exception to this rule being in favour of ex-officio Directors or Secretaries of the Government Banks at the three Presidencies;"

and the following letter was addressed to the Court of Directors:—

"With reference to our letter, No. 46, dated the 23rd June last, we have the honor to forward herewith a copy of our proceedings consequent on your instructions prohibiting the Honourable Company's servants from being in any way connected with the management of Banks or other Trading Companies."

4. My honourable colleague adverts to the public funds. It is a part of the question for which it would be difficult to lay down precise orders. But I conceive it might be sufficient, as no doubt it would be proper, here, as in any other Government in or out of India, to observe strictly towards public servants addicted to stock-jobbing, the rule of discouraging the propensity by supersession in promotions occurring in the course of changes and casualties in the public Service. This remedy can be unerringly applied in India, where the pursuits of every one of the few Europeans engaged in its administration never fail to be notorious. The same rule ought to be adopted in regard to Native Officials. They are more numerous. But the head of an Office will always be aware of the existence of such disqualifications in his subordinates.

5. In this, as in so many other matters of public concern, it will probably serve the purpose to bear in mind the principles of conduct which experience leads us to adopt in private life. No man who requires an exact and punctual performance of duties in a household can be satisfied with the services of a steward or groom who attends "betting-houses" or keeps "a book."

6. In short, regarding the existing disposition to join in trade speculations as a revival of that which it was the object of the Home Authorities and the Government of India in 1843–44, and again in 1852–53, to annihilate, I would recommend that this Government also should steadily and effectually exert its powers to discountenance the practice among its public Officers.

LETTER from the Secretary to the Government of India in the Home Department, No. 1421, dated 11th March 1862.

No. 1421.

A. D. ROBERTSON, Esq.,
Acting Chief Secretary to the Government of Bombay.

HOME DEPT. SIR,—I am directed to acknowledge the receipt of your letter No. 323, dated the 28th of January, transmitting copies of minutes recorded by His Excellency the Governor of Bombay and the members of his Council, on the subject of issuing orders prohibiting Public Servants of the Indian Government from engaging in speculations in India.

2. The Governor General in Council has carefully considered these papers, and desires me to state that he does not consider it expedient that the Government should attempt to impose any restrictions in this matter more stringent than those already in force, by which all Public Servants, whether Civil or Military, Covenanted or Uncovenanted, are strictly prohibited from taking any part in the management of Banks or any other trading Companies, or from being in any way concerned in them except as simple shareholders.

3. The Governor General in Council entirely agrees with His Excellency Sir George Clerk as to the great evil of Public Servants jobbing in the Public Funds, or in the shares of Joint Stock Companies, and he thinks that the proper and the only practicable method of preventing this evil is that which is indicated by His Excellency in the 4th paragraph of his minute dated the 26th of December.

I have the honour to be, &c.
W. GREY,
Secretary to the Government of India.
Dated Fort William, the 11th March 1862.

No. 453.

EXTRACT from the Proceedings of the Right Honourable the Governor General of India in Council, in the Home Department (Revenue), under date the 16th January 1863.

Read the following papers on the subject of Government Servants holding lands and engaging in speculations in India:—

- Revenue Despatch from Secretary of State, No. 22 of 1861, dated 10th August.
- Ditto ditto to ditto, No. 16 of 1861, dated 1st October.
- Ditto ditto from ditto, No. 29 of 1861, dated 30th November.
- Resolution of the Government of India, dated 14th January 1862.
- Letter from the Government of Bombay, No. 323, dated 28th January 1862.
- Minutes by the Governor General and the Members of Government thereon, recorded on Public Proceedings of the 11th March 1862, Nos. 10 to 13.
- Letter to Government of Bombay, No. 1421, dated 11th March 1862.
- Public Despatch to Secretary of State, No. 23 of 1862, dated 11th March.
- Letter from Secretary to the Landholders' and Commercial Association, dated 31st March 1862, and its enclosed Memorial addressed to the Secretary of State, praying that the Covenanted and Military Servants of Government may be permitted to purchase and hold lands in India without any restriction.
- Revenue Despatch to Secretary of State, No. 9 of 1862, dated 12th April.
- Letter from Government of Madras, No 537, dated 11th March 1862.
- Minutes by the Governor-General and the Members of Government thereon, recorded on Revenue Proceedings of the 8th May 1862, Nos. 2 to 7.
- Revenue Despatch to Secretary of State, No. 10 of 1862, dated 8th May.
- Public Despatch from Secretary of State, No. 46 of 1862, dated 31st May.
- Public Despatch from Secretary of State, No. 59 of 1862, dated 18th July.
- Revenue Despatch from Secretary of State, No. 22 of 1862, dated 25th November.

RESOLUTION.

In his Despatch No. 46, dated 31st May 1862, the Secretary of State observes that, as a general rule, there is no objection to Government Servants holding, under certain restrictions, shares in mining or other Companies having for their object the development of the resources of the country. In the recent despatch dated the 25th of November, Sir Charles Wood states that the question raised by the Landholders' and Commercial Association was fully considered when his Despatches No. 22, dated 10th August, and No. 29, dated 30th November 1861, were under preparation, and he sees no reason to modify the instructions conveyed therein. He also communicates instructions on the points submitted by the Government of Madras relative to a Civilian holding Shares in a Joint Stock Company formed for Agricultural purposes in his own Presidency, and in regard to a Madras Civilian holding land in Mysore, Coorg, Cochin, or Travancore, or becoming a shareholder in a Company formed for holding or cultivating land in those territories.

Resolved that the following Notification be published in the *Calcutta Gazette*.

No. 383.

FORT WILLIAM, HOME DEPARTMENT, REVENUE.

The 16th January 1863.

NOTIFICATION.

The following orders passed by the Right Honourable the Secretary of State for India are published for general information, in continuation of the Notification, No. 241, dated the 14th January 1862, published in the *Calcutta Gazette* of the 15th idem:

I.—*Extract from the Secretary of State's Public Despatch, No. 46, dated 31st May* 1864.

Para. 2.—You will have learned from my Despatch to the Government of Bombay, dated the 8th April last, No. 11, that, in connexion with the orders of that Government of the 26th November 1861, relative to the case of Public Officers who might take part in any Company formed for working the Gold Mines in the Dammul Hills, I stated that, "as a general rule," I see no objection to servants of Government holding shares in Mining or other Companies having for their object the development of the resources of the country; and the only restriction I think it necessary to impose is that public servants shall take no part in the management of such institutions, and shall not be employed in the districts where the operations of the Company may be carried on.

3.—With the exception of the concluding proviso, that no Public Officer shall be employed in any District where any Company in which he holds shares may carry on its operations, the sentiments above expressed are in accordance with the opinions recorded by Earl Canning and the several Members of your Council; and, as I think it important that this condition should be maintained, I have to direct that my decision communicated in the terms above quoted to the Government of Bombay may be made generally applicable, and may be published for general information.

4.—There can be no doubt as to the great evil of public servants in India engaging in speculations in the public funds, or in the shares of Joint Stock Companies; but I agree in the opinion of Lord Canning that such a practice, on the part of any Officer, could not long escape the knowledge of Government, and that it would be in the power of Government to mark its sense of such conduct, either by withholding promotion or in any other way it might deem fit.

II.—*Extract from the Secretary of State's Revenue Despatch No. 22, dated 25th November* 1862.

Para. 3.—In your letter of the 8th May (No. 10) you request to be informed whether a Covenanted Civilian may hold Shares in a Joint Stock Company formed for Agricultural purposes, such as Tea or Coffee cultivation, in his own Presidency. This question is sufficiently answered in my Public Despatch of the 31st May (No. 46) 1862, which you would have received shortly after the date of your reference.

4.—As regards the question whether a Covenanted Madras Civilian may hold land in Mysore, Coorg, Cochin, or Travancore, I agree with your Government in viewing with disapproval the holding by Covenanted Civil Servants of lands in Native States, and I consider that the same objection applies to the holding of such lands by Military Officers in the actual service of the Crown in India.

5.—The right of Officers, Civil or Military, to hold shares in the Agricultural Companies operating in Native States, may be regulated by the same rules as apply to their holding shares in similar Companies within the British Territories.

E. C. BAYLEY,
Secy. to the Govt. of India.

ORDERED that a copy of the foregoing Resolution be forwarded to the Government of Bombay, with reference to their letter No. 323, dated 28th January 1862, and the reply to it, No. 1421, dated 11th March 1862; to the Government of Madras, with reference to their letter No. 537, dated 11th March 1862; and to the Governments of Bengal and the North-Western Provinces, as well as the Straits Settlement, and the Military and Public Works Departments, for information; and to the Foreign Department, for information and for communication to the Government of the Punjaub, the Chief Commissioners of Oude, Central Provinces, and British Burmah, the Commissioner of Mysore, and to such other Officers under the control of that Department as may be deemed necessary.

Ordered also that a copy of paragraphs 1 and 2 of the Despatch dated the 25th November 1862, No. 22, be forwarded to the Landholders' and Commercial Association, with reference to their Secretary's letter dated the 31st March 1862.

(True Extract)
A. M. MONTEATH,
Under Secy. to the Govt. of India.

(True Extracts)
E. W. RAVENSCROFT,
Offg. Chief Secy. to the Govt. of Bombay.

Copy of Exhibit marked **V 1.**

No. 2427
1864

Bank of Bombay,
Bombay, 16th June 1864.

To
The Chief Secretary to Government, Bombay.

SIR,

I HAVE the honour to inform you that the Directors propose, with the sanction of Government, to establish a Branch of the Bank in the Native Town of Bombay.

I have the honour to be,
Sir,
Your most obedt. Servant,
(Signed) D. ROBERTSON,
Offg. Deputy Secretary.

Copy of Exhibit marked **V 2.**

R. I. No. 667, Financial.

Bank of Bombay.

Establishment of Branches in the Mofussil.

Letter from the Offg. Deputy Secretary, Bank of Bombay, No. 2427, dated 16th June 1864.

Stating that the Directors propose, with the sanction of Government, to establish a Branch of the Bombay Bank in the Native Town of Bombay.

Sanctioned.
(Signed) A. D. ROBERTSON,
Secretary.

Copy of Exhibit marked **W.**

West Malvern,
25 May 1868.

To
The Under Secretary of State for India.

SIR,

Having ascertained that the explanation referred to in my letter of the 6th instant, on the subject of the catastrophe of the Old Bank of Bombay, was mislaid by the late Acting Chief Secretary before his departure from Bombay, I have the honour to submit herewith the substance of such explanation, in case Her Majesty's Secretary of State should require the same either for his own information or for communication to the Commission of Enquiry.

I have, &c.
(Signed) H. E. JACOMB,
Bombay Civil Service.

Having acted as a Government Director of the old Bank of Bombay from the 8th June to the 28th September 1864 during Mr. A. D. Robertson's temporary absence at Mahabaleshwar, and being about to proceed on sick leave, the undersigned ventures, in anticipation of any possible call by the Government, to place in the hands of the Acting Chief Secretary his explanation as to the part he took in the conduct of the direction.

The undersigned admits that during such period no applications for loans were brought before the Board collectively or received their united sanction. How long this omission had been the practice he is not aware, but he believes that it was no innovation after the date of his assumption of office, and he therefore pleads guilty only to perpetuating what is now patent to all was a most irregular method of transacting business. Had, however, such applications been regularly submitted to the Board, he cannot but feel the utter improbability of his having exercised the slightest control for good, owing to his never having been employed in Bombay before March 1864, and thus having to rely on the opinions of the Commercial Directors as to the solvency of applicants for accommodation. It may be objected that under such circumstances a public servant ought not to accept office, but the previous traditions of the bank never having disclosed any losses arising out of this habitual absence of active interference by the Government Directors, it might not unnaturally be concluded that the Commercial Directors were the best judges. Acting on these impressions, the undersigned conceived (erroneously as is now only too clear) that his duty would be best fulfilled by seeing that the existing charter was not infringed, and by limiting the total transactions generally with reference to the cash balance, but otherwise not interfering with the details of individual loans. He believes it may safely be asserted that the then directors worked within the charter, inasmuch as they could have granted loans on shares in public companies, but abstained from doing so. Latterly indeed it has been alleged that cash credits uncovered by other than personal security were invalid, but although another Government Director, Mr. Mangles, and he himself had doubts on this point, and even referred its solution to a merchant then unconnected with the bank management (Mr. Lidderdale, who satisfied them that the practice was of long standing), the undersigned believes there is in banking no invariable rule as to the kind of security requisite for cash credits, and this opinion seems strengthened by the silence of the charter on the point.

In conclusion, the undersigned urges that of some 7 lacs of fixed loans and 28 lacs of cash credits loaned during the period under report, and believed to be mostly outstanding, a large proportion might have been collected if the obligations had been enforced at maturity, and not allowed to stand over in consequence of the subsequent adoption of a so-called forbearance policy towards debtors, who thereupon pledged their property elsewhere.

Of the discounted bills the undersigned is unable to say anything, as he has no accurate account as to their outstanding for the period under notice, but in respect of these he apprehends no allegation exists that the terms of the charter or mercantile usage were contravened.

(Signed) H. E. JACOMB.

Copy of Exhibit marked **X.**

Exmouth, England, May 14, 1868.

To
Sir Charles Jackson,
President of the Commission to inquire into the affairs of the old Bank of Bombay.

SIR,

I HAVE had the honour to receive the accompanying letter from the India Office, informing me that an investigation is about to be held "into the circumstances which led to and which attended the recent catastrophe of the old Bank of Bombay." In his last paragraph the Secretary of State says, "As the inquiry will relate to transactions of the Bank for the period during which you were a Government Director, I am directed to make this communication to you, in order that you may take any steps which you may consider necessary with a view to your being personally present, or being represented on that inquiry."

2. I much regret that it will be impossible for me to be in Bombay at the time when the Commission over which you preside is sitting. On the 28th of March last I was compelled by very severe illness to leave

India on medical certificate, and I am still so unwell that I cannot hope to return to my duty for many months. Neither do I see what way I can be adequately represented by another. I beg, therefore, to submit the following statement relative to the Bank's affairs and my connexion with them for the period during which I was a Government Director. There will, I trust, be no objection to its being attached as an appendix to your report.

3. I took my seat at the Board on the 6th of October 1864, having been then appointed, for the first time, to act as Revenue, Financial, General, and Chief Secretary to Government, vice the Honourable A. D. Robertson, who had been granted three months leave of absence. I may notice here that I had no previous knowledge of banking, and was ignorant of its simplest rudiments. A rule, however, framed by the Secretary of State, prohibiting the apointment of shareholders as Government Directors, left His Excellency the Governor scarcely any choice. It had always been customary also for the Revenue Secretary to be a Director of the Bank; and the only two Civil Servants trained to accounts who were stationed in Bombay were already on the Board; and I probably knew as much or little as any other Government officer. Under these circumstances I felt that there was no alternative but for me to join and do my best.

4. At the same time I was of course, compelled to learn my new and important duties of Secretary to Government; and for some weeks I was also President of the Bombay Municipal Commission. Subsequently, in addition to other work, I was placed on the Commission which was appointed to consider application from promoters for reclaiming portions of the foreshore of the island. These occupations almost monopolised my time, and thus, though I was a Government Director of the Bank of Bombay for four months and a half, I found it impossible to attend the board meetings more than 15 times. Except at these meetings I did not have anything to do with the Bank's affairs beyond signing shareholders' transfers and certificates when shares were bought or sold, these documents requiring the signatures of three Directors.

5. As before mentioned, I took my seat on the 6th of October 1864. Heavy press of business prevented me from again meeting my co-Directors until the 20th of October, when I was able to attend the weekly meeting. Our deliberations were very short, and it appeared to me that nothing was done except to read the last week's proceedings, discuss the rate of interest, and consider any letters received from the managers of branch banks. No application for loans, cash credits, or discounts ever came before the Board when I was present, except on one occasion, and this was of a peculiar nature. A reference to the record of our weekly proceedings will prove this. The theory was that the Secretary (who had enormous independent powers secured to him by the bye-laws) should, in conjunction with and subordinate to the President and some Commercial Directors, transact the current business which was beyond his own power, reserving very difficult cases for the full Board. After a few meetings it struck me that the Directors generally should have the opportunity of scrutinizing more closely the ordinary business of the Bank. But I was met with many objections. It was urged—

1. That the terms of the Bank's Charter, as regards loans, &c., were so clear that there could be no risk as to this part of the business.
2. That as regards the discounting of bills, the Act left unlimited discretion in the hands of the Directors, and that it was impossible that this discretion could be properly used except by those who knew the actual position and means of applicants for accommodation; a knowledge which would be possessed by the old Directors and Secretary, but not probably by Government Directors just appointed.
3. That the system in force had been long in existence without the occurrence of any loss, large annual dividends being, in the meantime, invariably received by the shareholders.
4. That within the previous 18 months the capital had been increased from 500,000*l.* to 2,000,000*l.*; and that any obstructive or close-handed policy would render the use of the quadrupled capital very difficult, and, as a matter of course, reduce the annual profits.

6. I will allow that these arguments had weight with me, and I then determined to turn my attention to the law under which the Bank was constituted, and see, as far as I could, that its clauses were observed.

7. With this view I requested to be furnished with the book or books showing the amounts advanced on loan or granted as cash credits. I was then furnished with a volume called the "Applicants' Book," showing these. The transactions extended over a period of many years, and in separate columns were shown the securities taken in each case. I beg to refer the Commission to this book, and to state that, to the best of my belief, no loan was made or cash credit granted and entered therein during my tenure of office, unless fully covered by securities on which by law the Directors were authorized to advance money. I beg, however, that it may be borne in mind that I am writing solely from memory, without the assistance of papers, books, or advice, of complicated matters of account and transactions which occurred between three and four years ago. Though my memory is good, it is not infallible, and on some minor points I may therefore be under a misapprehension.

8. A great outcry has been raised against a portion of the New Bank Charter Act of 1863. With the construction of this Act I have no concern, having joined the Board long after it was in force. But, by the light of late events, it is easy to say that the clause authorizing the Directors to lend money on the security of shares in "other public Companies in India," was very impolitic, and was clandestinely introduced by the Directors, and particularly by the Government Director, who had charge of the Bill in the Legislative Council, to facilitate their gambling propensities. This charge is known by persons on the spot to be utterly untrue; but the Bank Directors and Bombay Government have been severely censured by an interested public for the admission of the new clause. This censure should, however, be shared, if any is due, by the Government of India and the Home Government, as the Act could not become law without the consent and approval of both authorities. As a matter of fact, it was for a long time under the consideration of both. But, before blame is hurriedly cast on any one, it should be remembered that unless unprecedented ruin had overtaken almost every company in Bombay, the security of the shares taken by the Bank would have been undeniable, and therefore opinions still differ as to the policy or impolicy, under ordinary circumstances, of the insertion of the words "other public companies in India." At all events, if the extended powers it was proposed to give the Directors were as objectionable as they are now alleged to be by the shareholders, the proper time for objection was when the Bill was under discussion, and not when the mischief was done. So also as regards the quadrupling the capital. This was effected between the summer of 1863 and winter of 1864. Now it is perfectly notorious that all shareholders who understood anything of money matters were delighted at the increase of capital, more especially at the doubling in 1864. The reason is plain; for each old share they got a new share at par; that is to say, they got for 100*l.* what they could sell at once in the money market for 230*l.* In those days, therefore, no terms were good enough to extol the wisdom and judgment of the Directors; and it is therefore rather hard that they should now be abused for the very thing which in the days of prosperity was considered a great stroke of finance. I speak with perfect impartiality, as the full amount of 2,000,000*l.* had been subscribed before I joined the Board.

9. With reference to the "Applicants' Book" mentioned in my seventh paragraph, I fully thought, and was justified in thinking, that it contained all the successful applications for loans or cash credits made to the Bank, excepting perhaps those which the Bye-laws authorized the Secretary and Treasurer to grant on his own authority. From what I heard when last in Bombay, I am inclined to think that I may have been mistaken; but on this point the Commission will be best able to judge with the accounts and ledgers before them.

10. The only other matter which occurs to me about which any explanation is necessary, is with reference to the monthly statement of the Bank's assets and liabilities, which, by law, some of the Directors were compelled to sign and furnish to Government. These purported to show in separate columns the amounts of discounts, loans, and cash credits granted on Government or other securities. I could, however, never find time to examine them, and the documents from which they were framed, carefully; and as there was something I did not clearly understand about the security,

I did not wish, without satisfying myself, to attach my signature. As regards the half-yearly returns I had no scruples, as there was nothing in them about security; and I thought I might fairly take for granted that the amounts had been properly added up by the Bank's Officers.

11. So much for the loans and cash credits. As regards the bills discounted, I wish now that I had taken a more active part; but, excepting Native shopkeepers and Government servants, I scarcely knew half a dozen Natives in Bombay; and beyond believing that they were rolling in wealth, I was entirely ignorant of their means or credit. My knowledge of the real pecuniary position of Europeans was also very limited; and I thought that Mr. Birch, the President, who had been many years on the Board, together with the Secretary and one or two Commercial Directors, would best superintend that part of the business which depended on the discretion of the Directors. I believe that Government Directors before and after my time were of the same opinion.

12. On the 23d of February 1865 I attended my last weekly meeting at the Bank; and on the 1st of March I left India on furlough.

13. This, therefore, concludes my connexion with the Bank; but before closing my statement I will add a few words on the third paragraph of the Secretary of State's letter. With reference to the allegations contained in the memorial, I have only to say that during the time and long before I was or had any idea of being a Government Director of the Bank of Bombay I was not directly or indirectly possessed of or interested in any Joint Stock or other Company of any description whatever. Two or three days before I left India I purchased one share in the Colaba Land Company. I also had a Port Canning share, and some shares in a Bengal Bank. If the possession of such property is called in question because I happened to be a Government Director of the Bank of Bombay, I am quite prepared to defend the course I took. It is notorious that at least one eminent member of the Bombay Government and some Judges of the High Court of Judicature of Bombay were shareholders in the Port Canning scheme. They, I presume, felt, that as the Port Canning Reclamation was a Calcutta Undertaking, carried on in Bengal, with which Presidency they had no connexion in their public capacities, there was no more reason why they should not invest their money in that than trust to the "glorious simplicity of the three per cents." This, at all events, is what I felt. As a secretary to the Bombay Government, and therefore possibly in a position to have official connexion with a Bombay scheme, I should have hesitated to apply for or receive an allotment had Port Canning been situated in Bombay. But, as the case stood, I had no hesitation; and under similar circumstances would again act in a similar manner.

14. The allegations made in the Memorial to the Secretary of State, that the Commercial Directors knowingly misused the Bank's funds, and gave the Government Directors shares as hush-money, are as ridiculous as they are false. There can be no doubt that the management of the Bank was unfortunate, and has ended disastrously; but the times also were very exceptional. Possibly also want of judgment was exhibited by the Commercial Directors, which, considering their training and pursuit, may seem odd, and by the Government Directors, which, considering their training and previous employment, seems quite natural. But I am sure that all the Directors challenge the fullest inquiry; and instead of feeling animosity against the memorialists, anonymous pamphleteers, and suppliers of articles to the Indian press, they are obliged for the fallacious statements which have rendered an inquiry necessary.

15. In addition to the Memorial which the Secretary of State has been good enough to forward, I have seen in other pamphlets assertions to the effect that the Government Directors borrowed the Bank's money with which to carry on their "vicious speculations." On this point I have to say that I believe the statement to be entirely false; as regards myself personally, I distinctly say that it is false; I never borrowed one rupee from the Bank directly or indirectly, and I was never security for any one who did. All my private connexion with the Bank was this: when I had money I placed it there, and so highly did I think of its stability and wealth, that after I had ceased to be a Director, when in England, in May 1865, I deposited there a large sum for the fixed period of one year. Also, when at home, I purchased 24 shares of 100*l.* each, which on my return to Bombay, in October 1867, I sold at a very great loss, for a mere song, because I found (having been again appointed Acting Chief Secretary) that I was so officially mixed up with the affairs of the old and new Bank of Bombay that I could not consistently have any private interest in either.

16. In conclusion, I can honestly say that I hope Government will look with a favourable eye on the cases of those Shareholders who have been ruined by a combination of unfortunate circumstances rarely exceeded. But I deprecate the tone in which pamphlets and Indian newspaper articles have for months past been written. With the shortsighted aim of fixing the responsibility on Government, it has been ungenerously and foolishly assumed, that the three Government Directors, generally appointed against their own wishes, were the chief cause of the Bank's ruin; whilst little or no mention is made of the six Commercial Directors who were elected by the Shareholders, and who fought for their seats at the Board with an energy which proved how anxious they were to be successful.

17. I trust my statement is sufficiently clear, but if there are any points on which further explanation is needed, a communication addressed to me at 14, St. James' Square, London, will always reach me. As I am, however, about to proceed to the Continent for my health, an answer may not be quite so promptly furnished as it would be were I going to remain in England.

I have, &c.
EDWARD WILLIAM RAVENSCROFT,
Her Majesty's Bombay Civil Service.

Copy of Exhibit marked **Y 1.**

"STATEMENT by JAMES BLAIR, late Secretary and Treasurer of the Bank of Bombay.

I WAS Chief Accountant from 1853 to 1856, and Deputy Secretary from 1856 to 1860, when I was appointed Secretary and Treasurer.

The Bank had done a prosperous business during a long course of years, but when the Indian Government established its currency system, and cancelled the Bank's power to issue its own notes, its business was affected, and its resources crippled. During the American war, the business of Bombay greatly expanded, and with the view of obtaining fixed deposits to enable the Bank to make advances to the merchants when money was most required, the Board resolved to allow interest on accounts and deposits, and that system was then found to work well.

As the business of Bombay, however, began to increase enormously, the Board and the shareholders became desirous of increasing the capital of the Bank, and the usual steps were taken for that purpose. A copy of the Bank of Bengal Act being obtained, it was submitted to a Committee of Directors and the Bank's Solicitor for consideration, and sundry additions and alterations having been made by them, the same were approved of by the Board. Mr. A. D. Robertson, then one of the Government Directors, will be able to give the requisite information as to the Act passing through and obtaining the sanction of the Legislative Council of Bombay, as at that time I was absent from Bombay, opening branches, in various parts of the Presidency, under the instructions of the Board.

I may here state, that during 1864, and early in 1865, I was often absent from Bombay, establishing branches and visiting them; for instance, I was absent at Ajmere from 16th January to 14th March 1865, and I left Bombay for London on 29th April thereafter.

The business of the Bank from 1860 to 1863 was conducted thus:—In granting loans and discounts, a circular was sent to the Weekly Committee consisting of one Government, one Mercantile, and one Native Director, but as the applicants were chiefly Natives, the two European Directors were generally guided in their opinion by their Native colleague, who had better means of knowing the standing and wealth of applicants.

The Native Directors were men who commanded the respect and enjoyed the confidence of the shareholders; and on Board days when Native interests were under discussion, the European Directors invariably trusted to the opinion and advice of their Native associates.

An important part of the business of the bank was the purchase of Native Hoondies, and the Directors and officials were guided therein by the advice and recommendations of their brokers, Roychund Deepchund and his son Premchund Roychund. For a long

period of years no losses whatever were made on this description of business, and when Mr. Cowasjee Jehangeer Readymoney retired in 1864 from the Board in ill health, his parting advice was to consult Premchund Roychund regarding all Native business, as no man in Bombay could advise the Bank better than he. Indeed, Cowasjee himself had been in the constant practice of consulting him, and when he retired in July 1864, he wrote to me a letter which I am ready to produce, warmly approving of Premchund becoming a Director, and concluding thus:—"No person can beat him. I hold his ability in high esteem."

In 1863 the position of the Native merchants rapidly changed, as many of them had acquired great wealth from profits in cotton, so that it became more difficult to ascertain the actual means and wealth of merchants generally. Money was very abundant, and the competition among the banks for business great; and that being the state of matters, both European and Native merchants felt disinclined to allow their transactions to be known and discussed by the whole Board, so that a discretionary power was given to the Secretary to discount, and to purchase what he considered safe bills, or with the approval of one Director.

This system was continued, but there was no secrecy in it, as every transaction was entered in the books of the Bank, which were accessible at all times to the Directors. The Daily Abstract Book was regularly sent to each Director to show the daily business transacted, and on no occasion was the extent objected to. The feeling of the general body of Directors then was that too small a business was being transacted, and that the profits of the Bank were not such as they ought to be, considering what the other Banks were doing; one of them having actually declared a dividend of upwards of 30 per cent.

Such being the state of matters, the Board considered it necessary to make advances in competition with the Banks then established, to enable them to pay a reasonable dividend on the enlarged capital of the Bank. Some of the leading merchants, who were known to have been most successful in their cotton operations, obtained considerable loans from the Bank for the simple reason that their means and position were then considered undoubted. Even at this time, viz., in the end of 1864 and beginning of 1865, when not a cloud on the commercial prosperity of Bombay had appeared, it was considered prudent in the interest of the Bank to lend the money payable on demand; and, further, as many merchants, European and Native, were engaged in speculations in shares, that certificates of shares in the Land Companies, such as the Back Bay and Elphinstone Companies, should be deposited with the Bank as collateral security for the advances, which was done accordingly, and this was considered a prudent step at the time. Such shares were, however, not transferred to the Bank, and no one then contemplated making the Bank copartners of any of these companies, the object being security only.

The Directors were satisfied with the business transacted, as were the shareholders, and more especially the Government, who were fully advised of all that had been done in the monthly statements submitted to them, signed by three Directors, as well as in the weekly statements published in the newspapers.

The business of the Bank was not increased in a day, it was the work of a considerable period, and during all that time, and up to my leaving India in April 1865, not a word was heard from any quarter, on the publication of the Accounts and Auditor's Reports, that the transactions of the Bank had been or were of a risky nature, in fact the Bank continued to command the confidence of the public, as is evidenced by the premium which the shares then commanded in the market.

I have already stated that for a long period of years Premchund Roychund was of great use to the Bank in giving information and advice as to the means of the Native Merchants. During the American War Premchund was known to have acquired a large fortune in cotton transactions, and he was elected a Director of the Bank as successor to Cowasjee Jehangeer Readymoney, who, as has already been stated, was greatly pleased with his election.

In these years there can be no doubt of it, Premchund was one of the leading Native merchants of the place, and, like all successful men, he commanded great influence, and his advice was sought with respect to Native business by almost every banker in Bombay. The Governor of Bombay himself praised Premchund at public meetings, and pointed him out to the rising Native generation as worthy of example. It cannot, therefore, be surprising that, as Premchund's judgment in advising the Bank with respect to Native business had never been at fault for a long period of years, the Directors and the Officials should have continued to consult him and to follow his recommendations in granting loans. Never once in my day did a single Director, Government or mercantile, find fault with the system of relying upon Premchund Roychund for advice, nor was he ever then suspected of taking advantage of his position for sinister purposes. His wealth was then believed to be, and no doubt was, enormous, and not a word was breathed as to his credit for a long period after I had left Bombay in April 1865.

Owing to incessant work in the management of the Bank, and the fatigue and injury to my health in establishing the numerous branches throughout the Presidency, I obtained leave from the Directors to visit Europe, and as everything in Bombay, and the affairs of the Bank itself, were in a flourishing state, the time was considered opportune.

Enormous wealth had been acquired by the mercantile community from cotton; property had become greatly enhanced in value; and few or none in Bombay at that time looked for a collapse.

The Governor and his Council must have been of opinion that the prosperity was real, judging from the fact that although enormous sums had been realised by the sale of Government property, other properties were held for still higher prices, although probably five to eight times the ordinary value had been offered. I accordingly left Bombay on 29th April 1865, while the Bank was apparently enjoying the greatest prosperity, and as a proof that this was then so considered, the Directors, after making a careful investigation of the business and position of the Bank after the first panic in Bombay in May and June 1865, on the close of the American War, the losses by the failure of cotton merchants and others were estimated not to exceed thirty lacs. In the following half year a dividend at the rate of 8 per cent. per annum was paid, and two lacs were added to the reserve.

I have already stated that during 1864 and 1865 I was very frequently absent from Bombay on the affairs of the Bank's branches, and my connexion with the Bank as Secretary practically ceased on the 29th April 1865. Up to that date not a word had been stated by any man reflecting on the business that had been transacted, or upon me directly or indirectly. The sudden closing of the American War, and the subsequent monetary collapse in England in 1866, ruined many of the merchants of Bombay, causing enormous losses to the Bank; and it would appear from the proceedings before the Commission in Bombay, as if I alone had been the author of all the evil, and that the Bank had not been administered by a Board of Directors, Government and mercantile, under the eye of the Government themselves, who were so largely interested as shareholders.

As Secretary of the Bank, it was my duty to carry out the policy and instructions of the Directors, for the result of which they are responsible. In my capacity as a servant of the Board, whatever blame attaches to me I am willing to bear. Of course, as in all similar cases, an undue share of blame has been attached to me, and it has, I believe, been stated that I aided Premchund Roychund in procuring the Bank's money for speculative purposes for our mutual benefit. This is simply not the fact, as no loan was ever procured directly or indirectly from the Bank on my account, or for any purpose in which I was interested. Nor did I ever receive any money, jewels, or presents of any description, from any of the constituents or customers of the Bank.

It is true that in 1864, in contemplation of shortly leaving India, I unfortunately invested a considerable amount of my savings in India, and of money I had inherited from my father, in shares of public companies in Bombay, as permanent investments, believing at the time they were good.

Further, that certain allotments of shares were made to me, which I accepted and held in the face of high premiums which they attained. I paid for these shares out of my own funds, and in place of selling them at high premiums, and pocketing some lacs of rupees, I held most of the shares, and have thus lost my entire fortune. As a proof in my belief in the sound position of the Bank of Bombay, I invested a considerable amount in its shares in the end of 1864, and only sold them long afterwards at a heavy loss when I required money to pay calls on my Investments. I never was a speculator,

I did not wish, without satisfying myself, to attach my signature. As regards the half-yearly returns I had no scruples, as there was nothing in them about security; and I thought I might fairly take for granted that the amounts had been properly added up by the Bank's Officers.

11. So much for the loans and cash credits. As regards the bills discounted, I wish now that I had taken a more active part; but, excepting Native shopkeepers and Government servants, I scarcely knew half a dozen Natives in Bombay; and beyond believing that they were rolling in wealth, I was entirely ignorant of their means or credit. My knowledge of the real pecuniary position of Europeans was also very limited; and I thought that Mr. Birch, the President, who had been many years on the Board, together with the Secretary and one or two Commercial Directors, would best superintend that part of the business which depended on the discretion of the Directors. I believe that Government Directors before and after my time were of the same opinion.

12. On the 23d of February 1865 I attended my last weekly meeting at the Bank; and on the 1st of March I left India on furlough.

13. This, therefore, concludes my connexion with the Bank; but before closing my statement I will add a few words on the third paragraph of the Secretary of State's letter. With reference to the allegations contained in the memorial, I have only to say that during the time and long before I was or had any idea of being a Government Director of the Bank of Bombay I was not directly or indirectly possessed of or interested in any Joint Stock or other Company of any description whatever. Two or three days before I left India I purchased one share in the Colaba Land Company. I also had a Port Canning share, and some shares in a Bengal Bank. If the possession of such property is called in question because I happened to be a Government Director of the Bank of Bombay, I am quite prepared to defend the course I took. It is notorious that at least one eminent member of the Bombay Government and some Judges of the High Court of Judicature of Bombay were shareholders in the Port Canning scheme. They, I presume, felt, that as the Port Canning Reclamation was a Calcutta Undertaking, carried on in Bengal, with which Presidency they had no connexion in their public capacities, there was no more reason why they should not invest their money in that than trust to the "glorious simplicity of the three per cents." This, at all events, is what I felt. As a secretary to the Bombay Government, and therefore possibly in a position to have official connexion with a Bombay scheme, I should have hesitated to apply for or receive an allotment had Port Canning been situated in Bombay. But, as the case stood, I had no hesitation; and under similar circumstances would again act in a similar manner.

14. The allegations made in the Memorial to the Secretary of State, that the Commercial Directors knowingly misused the Bank's funds, and gave the Government Directors shares as hush-money, are as ridiculous as they are false. There can be no doubt that the management of the Bank was unfortunate, and has ended disastrously; but the times also were very exceptional. Possibly also want of judgment wasexhibited by the Commercial Directors, which, considering their training and pursuit, may seem odd, and by the Government Directors, which, considering their training and previous employment, seems quite natural. But I am sure that all the Directors challenge the fullest inquiry; and instead of feeling animosity against the memorialists, anonymous pamphleteers, and suppliers of articles to the Indian press, they are obliged for the fallacious statements which have rendered an inquiry necessary.

15. In addition to the Memorial which the Secretary of State has been good enough to forward, I have seen in other pamphlets assertions to the effect that the Government Directors borrowed the Bank's money with which to carry on their "vicious speculations." On this point I have to say that I believe the statement to be entirely false; as regards myself personally, I distinctly say that it is false; I never borrowed one rupee from the Bank directly or indirectly, and I was never security for any one who did. All my private connexion with the Bank was this: when I had money I placed it there, and so highly did I think of its stability and wealth, that after I had ceased to be a Director, when in England, in May 1865, I deposited there a large sum for the fixed period of one year. Also, when at home, I purchased 24 shares of 100*l.* each, which on my return to Bombay, in October 1867, I sold at a very great loss for a mere song, because I found (having been again appointed Acting Chief Secretary) that I was so officially mixed up with the affairs of the old and new Banks of Bombay that I could not consistently have any private interest in either.

16. In conclusion, I can honestly say that I hope Government will look with a favourable eye on the cases of those Shareholders who have been ruined by a combination of unfortunate circumstances rarely exceeded. But I deprecate the tone in which pamphlets and Indian newspaper articles have for months past been written. With the shortsighted aim of fixing the responsibility on Government, it has been ungenerously and foolishly assumed, that the three Government Directors, generally appointed against their own wishes, were the chief cause of the Bank's ruin; whilst little or no mention is made of the six Commercial Directors who were elected by the Shareholders, and who fought for their seats at the Board with an energy which proved how anxious they were to be successful.

17. I trust my statement is sufficiently clear, but if there are any points on which further explanation is needed, a communication addressed to me at 14, St. James' Square, London, will always reach me. As I am, however, about to proceed to the Continent for my health, an answer may not be quite so promptly furnished as it would be were I going to remain in England.

I have, &c.
EDWARD WILLIAM RAVENSCROFT,
Her Majesty's Bombay Civil Service.

Copy of Exhibit marked **Y 1.**

"STATEMENT by JAMES BLAIR, late Secretary and Treasurer of the Bank of Bombay.

I WAS Chief Accountant from 1853 to 1856, and Deputy Secretary from 1856 to 1860, when I was appointed Secretary and Treasurer.

The Bank had done a prosperous business during a long course of years, but when the Indian Government established its currency system, and cancelled the Bank's power to issue its own notes, its business was affected, and its resources crippled. During the American war, the business of Bombay greatly expanded, and with the view of obtaining fixed deposits to enable the Bank to make advances to the merchants when money was most required, the Board resolved to allow interest on accounts and deposits, and that system was then found to work well.

As the business of Bombay, however, began to increase enormously, the Board and the shareholders became desirous of increasing the capital of the Bank, and the usual steps were taken for that purpose. A copy of the Bank of Bengal Act being obtained, it was submitted to a Committee of Directors and the Bank's Solicitor for consideration, and sundry additions and alterations having been made by them, the same were approved of by the Board. Mr. A. D. Robertson, then one of the Government Directors, will be able to give the requisite information as to the Act passing through and obtaining the sanction of the Legislative Council of Bombay, as at that time I was absent from Bombay, opening branches, in various parts of the Presidency, under the instructions of the Board.

I may here state, that during 1864, and early in 1865, I was often absent from Bombay, establishing branches and visiting them; for instance, I was absent at Ajmere from 16th January to 14th March 1865, and I left Bombay for London on 29th April thereafter.

The business of the Bank from 1860 to 1863 was conducted thus:—In granting loans and discounts, a circular was sent to the Weekly Committee consisting of one Government, one Mercantile, and one Native Director, but as the applicants were chiefly Natives, the two European Directors were generally guided in their opinion by their Native colleague, who had better means of knowing the standing and wealth of applicants.

The Native Directors were men who commanded the respect and enjoyed the confidence of the shareholders; and on Board days when Native interests were under discussion, the European Directors invariably trusted to the opinion and advice of their Native associates.

An important part of the business of the bank was the purchase of Native Hoondies, and the Directors and officials were guided therein by the advice and recommendations of their brokers, Roychund Deepchund and his son Premchund Roychund. For a long

period of years no losses whatever were made on this description of business, and when Mr. Cowasjee Jehangeer Readymoney retired in 1864 from the Board in ill health, his parting advice was to consult Premchund Roychund regarding all Native business, as no man in Bombay could advise the Bank better than he. Indeed, Cowasjee himself had been in the constant practice of consulting him, and when he retired in July 1864, he wrote to me a letter which I am ready to produce, warmly approving of Premchund becoming a Director, and concluding thus:—"No person can beat him. I hold his ability in high esteem."

In 1863 the position of the Native merchants rapidly changed, as many of them had acquired great wealth from profits in cotton, so that it became more difficult to ascertain the actual means and wealth of merchants generally. Money was very abundant, and the competition among the banks for business great; and that being the state of matters, both European and Native merchants felt disinclined to allow their transactions to be known and discussed by the whole Board, so that a discretionary power was given to the Secretary to discount, and to purchase what he considered safe bills, or with the approval of one Director.

This system was continued, but there was no secrecy in it, as every transaction was entered in the books of the Bank, which were accessible at all times to the Directors. The Daily Abstract Book was regularly sent to each Director to show the daily business transacted, and on no occasion was the extent objected to. The feeling of the general body of Directors then was that too small a business was being transacted, and that the profits of the Bank were not such as they ought to be, considering what the other Banks were doing; one of them having actually declared a dividend of upwards of 30 per cent.

Such being the state of matters, the Board considered it necessary to make advances in competition with the Banks then established, to enable them to pay a reasonable dividend on the enlarged capital of the Bank. Some of the leading merchants, who were known to have been most successful in their cotton operations, obtained considerable loans from the Bank for the simple reason that their means and position were then considered undoubted. Even at this time, viz., in the end of 1864 and beginning of 1865, when not a cloud on the commercial prosperity of Bombay had appeared, it was considered prudent in the interest of the Bank to lend the money payable on demand; and, further, as many merchants, European and Native, were engaged in speculations in shares, that certificates of shares in the Land Companies, such as the Back Bay and Elphinstone Companies, should be deposited with the Bank as collateral security for the advances, which was done accordingly, and this was considered a prudent step at the time. Such shares were, however, not transferred to the Bank, and no one then contemplated making the Bank copartners of any of these companies, the object being security only.

The Directors were satisfied with the business transacted, as were the shareholders, and more especially the Government, who were fully advised of all that had been done in the monthly statements submitted to them, signed by three Directors, as well as in the weekly statements published in the newspapers.

The business of the Bank was not increased in a day, it was the work of a considerable period, and during all that time, and up to my leaving India in April 1865, not a word was heard from any quarter, on the publication of the Accounts and Auditor's Reports, that the transactions of the Bank had been or were of a risky nature, in fact the Bank continued to command the confidence of the public, as is evidenced by the premium which the shares then commanded in the market.

I have already stated that for a long period of years Premchund Roychund was of great use to the Bank in giving information and advice as to the means of the Native Merchants. During the American War Premchund was known to have acquired a large fortune in cotton transactions, and he was elected a Director of the Bank as successor to Cowasjee Jehangeer Readymoney, who, as has already been stated, was greatly pleased with his election.

In these years there can be no doubt of it, Premchund was one of the leading Native merchants of the place, and, like all successful men, he commanded great influence, and his advice was sought with respect to Native business by almost every banker in Bombay. The Governor of Bombay himself praised Premchund at public meetings, and pointed him out to the rising Native generation as worthy of example. It cannot, therefore, be surprising that, as Premchund's judgment in advising the Bank with respect to Native business had never been at fault for a long period of years, the Directors and the Officials should have continued to consult him and to follow his recommendations in granting loans. Never once in my day did a single Director, Government or mercantile, find fault with the system of relying upon Premchund Roychund for advice, nor was he ever then suspected of taking advantage of his position for sinister purposes. His wealth was then believed to be, and no doubt was, enormous, and not a word was breathed as to his credit for a long period after I had left Bombay in April 1865.

Owing to incessant work in the management of the Bank, and the fatigue and injury to my health in establishing the numerous branches throughout the Presidency, I obtained leave from the Directors to visit Europe, and as everything in Bombay, and the affairs of the Bank itself, were in a flourishing state, the time was considered opportune.

Enormous wealth had been acquired by the mercantile community from cotton; property had become greatly enhanced in value; and few or none in Bombay at that time looked for a collapse.

The Governor and his Council must have been of opinion that the prosperity was real, judging from the fact that although enormous sums had been realised by the sale of Government property, other properties were held for still higher prices, although probably five to eight times the ordinary value had been offered. I accordingly left Bombay on 29th April 1865, while the Bank was apparently enjoying the greatest prosperity, and as a proof that this was then so considered, the Directors, after making a careful investigation of the business and position of the Bank after the first panic in Bombay in May and June 1865, on the close of the American War, the losses by the failure of cotton merchants and others were estimated not to exceed thirty lacs. In the following half year a dividend at the rate of 8 per cent. per annum was paid, and two lacs were added to the reserve.

I have already stated that during 1864 and 1865 I was very frequently absent from Bombay on the affairs of the Bank's branches, and my connexion with the Bank as Secretary practically ceased on the 29th April 1865. Up to that date not a word had been stated by any man reflecting on the business that had been transacted, or upon me directly or indirectly. The sudden closing of the American War, and the subsequent monetary collapse in England in 1866, ruined many of the merchants of Bombay, causing enormous losses to the Bank; and it would appear from the proceedings before the Commission in Bombay, as if I alone had been the author of all the evil, and that the Bank had not been administered by a Board of Directors, Government and mercantile, under the eye of the Government themselves, who were so largely interested as shareholders.

As Secretary of the Bank, it was my duty to carry out the policy and instructions of the Directors, for the result of which they are responsible. In my capacity as a servant of the Board, whatever blame attaches to me I am willing to bear. Of course, as in all similar cases, an undue share of blame has been attached to me, and it has, I believe, been stated that I aided Premchund Roychund in procuring the Bank's money for speculative purposes for our mutual benefit. This is simply not the fact, as no loan was ever procured directly or indirectly from the Bank on my account, or for any purpose in which I was interested. Nor did I ever receive any money, jewels, or presents of any description, from any of the constituents or customers of the Bank.

It is true that in 1864, in contemplation of shortly leaving India, I unfortunately invested a considerable amount of my savings in India, and of money I had inherited from my father, in shares of public companies in Bombay, as permanent investments, believing at the time they were good.

Further, that certain allotments of shares were made to me, which I accepted and held in the face of high premiums which they attained. I paid for these shares out of my own funds, and in place of selling them at high premiums, and pocketing some lacs of rupees, I held most of the shares, and have thus lost my entire fortune. As a proof in my belief in the sound position of the Bank of Bombay, I invested a considerable amount in its shares in the end of 1864, and only sold them long afterwards at a heavy loss when I required money to pay calls on my Investments. I never was a speculator,

Copy of Exhibit marked ☛ 6.

EXTRACTS from a Current Deposit Account Ledger of the Asiatic Banking Corporation for the year 1864, produced by William Steel, the constituted Attorney in Bombay of the Liquidator of the said Corporation.

JAMES BLAIR, Secy. & Treasurer, Bank of Bombay.

0001. Page 53.

Date.	Particulars.	Ch. No.	Dr.	Cr.	Dr. or Cr.	Balance.	No. of Days.	Dr. Interest.	Cr. Interest.
1864.									
June 7	By Cash	–	– – –	11,000 0 0	Cr.	11,000 0 0	2	–	22,000
9	To Cheque, W. Nicol & Co., Central Bank.	1	8,000 0 0	– – –	„	3,000 0 0	2	–	6,000
11	Stamped at Bk., No. 0001	–	1 9 0	– – –	„	2,998 7 0	12	–	35,976
23	To Cheque, Self	2	10,000 0 0	– – –	Dr.	7,001 9 0	–	—	—
☞	By Cash	–	– – –	20,000 0 0	Cr.	12,998 7 0	1	–	12,998
24	To Cheque, Fulcher, Coope, & Co., Bk. of India.	–	5,000 0 0	– – –	„	7,998 7 0	1	–	55,986
July 1	By Cash	–	– – –	150 0 0	„	8,148 7 0	–	—	—
	„ Do.	–	– – –	20,400 0 0	„	28,548 7 0	1	–	28,548
2	To Cheque, E. Latham & Co., Coml. Bk.	4	2,500 0 0	– – –	„	26,048 7 0	2	–	52,096
4	Do. B. Reclamation Coy.	–	25,000 0 0	– – –	„	1,048 7 0	3	–	3,144
☞ 7	Do. Premchund Roychund	6	20,075 0 0	– – –	Dr.	19,026 9 0	2	38,052	—
9	By Cash	–	– – –	10,270 0 0	„	8,756 9 0	–	—	—
	„ Do.	–	– – –	10,403 8 0	Cr.	1,646 15 0	6	–	9,876
15	„ Do.	–	– – –	7,500 0 0	„	9,146 15 0	1	–	9,146
16	For Stamped Loan Bond	–	4 1 0	– – –	„	9,142 14 0	9	–	89,278
25	To Amt. credited to H. L. Anderson's fixed a/c.	–	1,25,000 0 0	– – –	Dr.	1,15,857 2 0	15	—	—
Aug. 9	By Cash	–	– – –	20,000 0 0	„	95,857 2 0	1	—	—
10	To Cheque, Fulcher, C., & Co., Bk. of India.	8	7,500 0 0	– – –	„	1,03,357 2 0	2	—	—
12	Do. Bank of China	–	1,250 0 0	– – –	„	1,04,607 2 0	8	—	—
20	Do. Fulcher, Coope, & Co.	10	14,000 0 0	– – –	„	1,18,607 2 0	2	—	—
22	Do. Do. Bk. of India	11	136 8 0	– – –	„	1,18,743 10 0	10	—	—
Sept. 1	By Cash	–	– – –	1,25,845 14 2	Cr.	7,102 4 2	4	—	28,408
5	To Cheque, Self	13	4,500 0 0	– – –	„	2,602 4 2	24	—	62,448
29	„ Do. Ritchie, Stewart, & Co.	–	6,000 0 0	– – –	Dr.	3,397 11 10	15	50,955	—
Oct. 14	„ Stp. Duty for Loan Bond	–	4 0 0	– – –	„	3,401 11 10	5	17,005	—
19	„ Cheque, Self	–	5,000 0 0	– – –	„	8,401 11 10	36	3,02,436	—
Nov. 24	„ Do. Do.	–	65,000 0 0	– – –	„	73,401 11 10	6	4,40,406	—
30	„ Do. Nicol & Co.	–	12,000 0 0	– – –	„	85,401 11 10	24	20,49,624	—
Dec. 24	„ Do. Bk. of Bbay	–	14,097 5 4	– – –	„	99,499 1 2	7	6,96,493	—
31	To Interest at 9 %	–	1,709 14 7	– – –	„	1,01,208 15 9	–		
	By Balance to New a/c L. No. 1., folio 109.	–	– – –	1,01,208 15 9				35,94,971	408,904
			3,26,778 5 11	3,26,778 5 11					

Exhibit Y 6—*continued.*

EXTRACT from a Current Deposit Account Ledger of the Asiatic Banking Corporation for the year 1865, produced by William Steel, the constituted Attorney in Bombay of the Liquidator of the said Corporation.

Page 109.

JAMES BLAIR, Secy. and Treasurer, Bank of Bombay.

Date.	Particulars.	Ch. No.	Dr.	Cr.	Dr. or Cr.	Balance.	No. of Days.	Interest.	Cr. Interest.
1864.									
Dec. 31	To Balce. from old a/c Ledger, No. 1., folio 53.	–	1,01,208 15 9	- - -	Dr.	1,01,208 15 9	11	11,13,288	—
1865.									
Jan. 11	„ Cheque, Fulcher, C., & Co., Bk. of India.	–	7,500 0 0	- - -	„	1,08,708 15 9	44	47,83,152	—
Feb. 24	„ Do. Surbsook - - -	–	260 0 0	- - -	„	1,08,968 15 9	28	30,51,104	—
Mar. 24	By Cash, D. Robertson's Ch. on B'bay Bk.	–	- - -	50,000 0 0	„	58,968 15 9	6	3,53,808	—
30	„ Do. Ch. on B'bay Bank.	–	- - -	20,000 0 0	„	38,968 15 9	14	5,45,552	—
Apl. 13	„ Do. Do. - -	–	- - -	25,000 0 0	„	13,968 15 9	5	69,840	—
18	„ Do. Do. - -	–	- - -	28,800 0 0	Cr.	14,831 0 3	6	- - -	88,986
☞ 24	*To Ch. Roychund Deepchund* -	–	1,51,875 4 9	- - -	Dr.	1,37,044 4 6	1	1,37,044	—
25	*By Amt. of loan on B'bay. Bk. Shares negociated this day.*	–	- - -	1,51,875 4 9	Cr.	14,831 0 3	–	—	—
	To Costs of Stamps to do. - -	–	4 1 0	- - -	„	14,826 15 3	66	- - -	9,78,516
June 30	„ Amt. of Transfer fee on 5 shares in the B'bay Recl. Coy.	–	25 0 0	- - -	„	14,801 15 3	–	—	—
	To Interest at 12% - - -	–	3,246 13 10	- - -	–	11,555 1 5	–	—	—
	„ Balance to New a/c - - -	–	11,555 1 5	—		—			
							181	1,00,53,788	10,67,502
			2,75,675 4 9	2,75,675 4 9					
								Dr. Int. at 12%	Rs. 3,305 5 8
								Cr. Int. at 2%	58 7 10
									Dr. Rs. 3,246 13 10
1865.									
June 30	By Balance from old a/c - -	–	- - -	11,551 1 5	Dr.	11,555 1 5	5	—	57,775
July 5	„ Amt. of Dividend on 150 shares in the Bank - Rs. 3,000 0 0								
	Interest on 175 New Do. - - 141 12 5								
	Rs. 3,141 12 5								
	Less 2nd Call on New Issue 75 sh. 1,875 0 0								
	Rs. 1,266 12 5		- - -	1,266 12 5	„	12,821 13 10	–	—	—
	To Amt. of 2nd Call on 100 shares with Balance of prem.	–	10,000 0 0	- - -	„	2,821 13 10	5	- - -	14,105
10	To Ch. B'bay Coast River - -	–	6,378 0 0	- - -	Dr.	3,556 2 2	12	42,672	—
☞ 22	„ *Do. Premchund Roychund* -	–	4,950 0 0	- - -	„	8,506 2 2	31	2,63,686	—
Aug. 22	„ Do. N. Muncherji - - -	–	1,615 0 0	- - -	„	10,121 2 2	4	40,484	—
26	„ Adhesive Stps. on Transfer of shares.	–	18 12 0	- - -	„	10,139 14 2	104	10,54,456	—
Dec. 8	By Cash (slip on B'bay Bk.) -	–	- - -	10,000 0 0	„	139 14 2	10	1,390	—
18	„ Entry of 26 June, sum paid in London on a/c of your letter of credit now reversed.	–	- - -	1,000 0 0	Cr.	860 1 10	3	—	—
21	To Dft., dated London 9 Novr., on Asiatic Banking Corn in favor of Do. a/c of Credit of 24 May /65 as of 15 Decr.	–	7,000 0 0	- - -	Dr.	6,139 14 2	9	55,251	—
30	„ Interest at 10 % - - -	–	395 7 11	- - -	„	6,535 6 1	–	—	—
	By Balance to New a/c N. 1. folio 127	–	- - -	6,535 6 1	–	—			
							183	14,57,939	71,880
			30,357 3 11	30,357 3 11					
								Dr. Int. at 10%	Rs. 389 6 11
								Cr. Do. at 2%	3 15 0
									Dr. Rs. 385 7 11

Exhibit Y 6—*continued.*

EXTRACT from a Current Deposit Account Ledger of the Asiatic Banking Corporation for years 1866 and 1867, produced by William Steel, the constituted Attorney in Bombay of the Liquidator of the said Corporation. Interest at 2 %

JAMES BLAIR, Secy. and Treasurer, Bank of Bombay.

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Date.	Particulars.	Ch. No.	Dr.	Cr.	Dr. or Cr.	Balance.	Days.	Interest due to the Bank.	Interest due by the Bank.
1865.									
Dec. 30	To B'lce from old a/c No. 1., folio 109 -	–	6,535 6 1	- - -	Dr.	6,535 6 1	6	39,210	
1866.									
Jan. 5	By Amt. of Dividend Warrant 150 sh. -	–	- - -	750 0 0	„	5,785 6 1	1	5,785	
6	To Ch. B'bay Coast and R. Coy. - -	–	2,700 0 0	- - -	„	8,485 6 1	9	76,365	
15	„ Dft. on demand, favor ourselves, of London, 14 December 1865.	–	4,974 1 6	- - -	„	13,459 7 7	1	13,459	
16	„ Ch. Elph. L. & P. Coy. Coml. Bk. -	–	10,000 0 0	- - -	„	23,459 7 7	10	2,34,590	
26	By ½ yearly divid[s] at 8 % on 60 sh. Bk. of B'bay, Rs. 40 per share.	–	- - -	2,400 0 0	„	21,059 7 7	41	8,63,419	
Mar. 8	To 3rd call of Rs. 50 per sh. on his 175 sh., new, of this corp.	–	8,750 0 0	- - -	„	29,809 7 7	11	3,27,899	
19	„ Cost of demand, Dft. on Bk. of England for £4 5/ at 2/.	–	42 8 0	- - -	„	29,851 15 7	61	18,20,911	
	By Amt. debited in error - -	–	- - -	42 8 0	„	29,809 7 7	40	11,92,360	
June 28	To Amt. of D[illegible] of London, 25 May /66 favor ourselves.	–	6,000 0 0	- - -	„	35,809 7 7	2	71,618	
30	„ Interest at 13 % - - -	–	1,527 6 2	- - -	„	37,336 13 9	–		
	By Balance to new a/c - - -	–	- - -	37,336 13 9		- - -	182	46,45,616	
	Rs.		40,529 5 9	40,529 5 9	„				
1866.									
June 30	To Balance from old a/c - - -	–	37,336 13 9	- - -	Dr.	37,336 13 9	4	1,49,344	
July 4	„ Ch. Elph. Land and P. Co. - -	–	10,305 0 0	- - -	„	47,641 13 9	36	17,15,076	
Aug. 9	„ Stped. Ch. Bk., No. 17,153 to 68 -	–	1 0 0	- - -	„	47,642 13 9	51	24,29,742	
Dec. 19	„ Cost of 3 Back bay shs. at Rs. 1,925 per share.	–	5,775 0 0	- - -	„	53,417 13 9			
	By pro. of 4 old Elphinstone Land sh. at Rs. 535 less Transfer Fee and Stamp Rs. 10.	–	- - -	2,130 0 0	„	51,287 13 9			
	Cost of 5 Back bay sh. at Rs. 1,975 each - - Rs. 9,875 Do., one 1,925 - - - 1,925 Rs. 11,800	–	11,800 0 0	- - -	„	63,087 13 9			
	By pro. 16 old E. sh. at Rs. 540 ea., less stp. Transfer fee, &c. Rs. 120.	–	- - -	8,520 0 0	„	54,567 13 9			
	„ pro. 30 old E. sh. at Rs. 545 ea., less Transfer fee &ca., Rs. 75.	–	- - -	16,275 0 0	„	38,292 13 9			
	Do. 9 E. sh. at Rs. 540, less Stps., &ca., Rs. 67–8.	–	- - -	4,792 8 0	„	33,500 5 9			
	To cost of 2 Back bay shares, 1 at Rs. 1,925 & 1 at Rs. 2,000.	–	3,925 0 0	- - -	„	37,425 5 9			
21	By pro. 4 old E. sh. at Rs. 540 each, less stamps, &c.	–	- - -	2,130 0 0	„	35,295 5 9			
21	To cost of 1 Back bay sh., Rs. 2,300 -	–	2,300 0 0	- - -	„	37,595 5 9			
24	By pro. of one old Elp. sh. at Rs. 535, less stamps, &ca.	–	- - -	532 8 0	„	37,062 13 9			
27	To call of Rs. 200 p. sh. on 5 sh. B'bay Reclam[n] Comy. Transfer fee & Stps. on Do. Rs. 50,	–	1,050 0 0	- - -	„	38,112 13 9			
28	By pro. 6 Elp. sh. at Rs. 540, less Transfer fee &ca., Rs. 15.	–	- - -	3,225 0 0	„	34,887 13 9			
1867.									
Jan. 4	By pro. of one Elp. Land Compy's share at Rs. 540. less Stamps &ca.	–	- - -	540 0 0	„	34,347 13 9			
4	„ pro. of one Elp. sh. less stps. &ca. -	–	- - -	535 0 0	„	33,812 13 9			
7	To cost of one Back bay share - -	–	2,300 0 0	- - -	„	36,112 13 9			
8	„ 2nd call on one Back bay sh. with interest.	–	200 7 4	- - -	„	36,313 5 1			
	„ Interest to 29 Septr. at 12 % -	–	1,411 12 5	- - -	„	37,725 1 6			
Apl. 17	By £57 10/ transferred from his C.D. a/c in London.	–	- - -	575 0 0	„	37,133 1 6			
30	By Balance transferred to miscellaneous shares held against discharged claims.	–	- - -	37,150 1 6	„	Nil.			

Copy of Exhibit marked Z 2.

TRANSLATION of an Account in Roychund Deepchund's Gujrathi Ledgers for Sumvat years 1920 & 1921 (A. D. 1864-5), pages 27 & 10.

The Account of Mr. Robertson of the Bank of Bombay.

Dr.				Cr.			
Cash book, page 98, 8 September (1864), 15 shares of the Asiatic Bank.	8,550	0	0	Cash book, page 113, 11 October (1864) (received on your account from the Asiatic Bank on the deposit of your ten shares of the Bank of Bombay).	32,000	0	0
Cash book, page 99, 10 September (1864), 10 shares of the Bank of Bombay.	34,975	0	0				
Cash book, page 110, 4 October (1864), paid for 1st call on ten new shares of the Bank of Bombay.	3,000	0	0	Cash book, page 115, 15 October (1864) -	2,000	0	0
					34,000	0	0
Cash book, page 113, 11 October (1864), for stamp fee.	4	1	0	Balance - - - -	9,529	1	0
					3,000	0	0
	46,529	1	0		46,529	1	0

Sumvat Year 1921.

Balance brought forward from old book, page 27.	12,529	1	0	Cash book, page 16, the 30 of Chytra Vud (received dividend on 10 shares of the Bank of Bombay).	800	0	0
Cash book, page 4, 17 Novr (1864) (paid for 2nd call on 10 shares of the Bank of Bombay).	3,000	0	0		800	0	0
Cash book, page 10, 4 Janr (1865) (paid for 3rd call on 10 shares of the Bank of Bombay).	4,025	9	0	Balance - - - -	75,240	4	6
					76,040	4	6
Cash book, page 14, 22 February (1865) (paid to the Asiatic Bank).	34,000	0	0				
Cash book, page 24, 2 July (1865) (paid for the purchase of 8 shares of the Bank of Bombay).	10,400	0	0				
Cash book, page 25, 25 July (1865) (paid for the purchase of 5 shares of the Bank of Bombay).	6,500	0	0				
Cash book, page 26, the 11 of Chytra Vud (for call on seven new shares of the Asiatic Bank).	175	0	0				
Cash book, page 39, the 30 of Aso Vud (for interest).	5,409	10	6				
	76,040	4	6				

(A true translation.)

NOWROZJEE FURDOONJEE,
Translator to the Commission appointed to inquire into the failure of the Bank of Bombay.

TRANSLATION of Entries in Roychund Deepchund's Cash Books for Sumvat years 1920 and 1921 (A.D. 1864-5), relating to the Account of Mr. Robertson, of the Bank of Bombay.

Sumvat Year 1920.

Debit Side.

Page 98.

8th September 1864. Debited to the account of Mr. Robertson of the Bank of Bombay 15 shares of the Asiatic Bank @ Rs. 185 is Rupees 8,550. Debited to your account, and credited to the Asiatic Bank shares account - - - Rs. 8,550 0 0

Page 99.

10th September 1864. Debited to the account of Mr. Robertson of the Bank of Bombay. Value of 10 shares of the Bank of Bombay - - - Rs. 34,975 0 0

Page 110.

4th October 1864. Debited to the account of Mr. Robertson. The amount of 1st call of Rupees 300 on 10 new shares of the Bank of Bombay. Paid into the Bank of Bombay - - Rs. 3,000 0 0

Page 115.

25th October 1864. Credited to the account of Mr. Robertson, Rs. 3,000, for 2d Call of Rs. 300 on 10 new shares of the Bank of Bombay. Amount received from the Asiatic Bank - - - 3,000 0 0

Credit Side.

Cash Book, Page 4.

17th November 1864. Debited to the account of Mr. Robertson, Rs. 3,000, the amount of 2d Call of Rs. 300 on 10 shares of the Bank of Bombay. Paid into the Bank of Bombay - - - 3,000 0 0

Page 10.

4th January 1865. Debited to the account of Mr. Robertson. Paid amount of 3rd Call on 10 shares of the Bank of Bombay, Rs. 4,000, and Rs. 26 8 interest 4,026 8 0

count of Mr. Robertson. Paid Rs. 6,500 by a cheque on the Bank of Bombay for 5 shares of the Bank of Bombay - - 6,500 0 0

Page 26.

11th of Chytra Vud. Debited to the account of Mr. Robertson. Paid call on 7 new shares of the Asiatic Bank - - 175 0 0

Page 39.

30 Aso Vud. Debited to the account of Mr. Robertson. Amount of interest - 5,409 10 6

(A true translation.)

NOWROZJEE FURDOONJEE,
Translator to the Commission appointed to inquire into the failure of the Bank of Bombay.

Act X. of 1863 :
Evidence as to preparation of, Hare, I. 5. Forgo, I. 6. Westropp, I. 6. Bullock, II. 5. A. D. Robertson, II. 33-37. McIlwraith, II. 82. Newcomb, II. 163. Sir Bartle Frere, II. 199, 202. Committee of Bank Directors as to, I. 5, 6. Alterations in draft of, I. 5, 6. Shareholders meeting and resolution as to, II. 5. Differences between it and Act III. of 1840, II. 6, 36, 77, 78, 201. Its passage through the Legislative Council of Bombay, II. 36–38. Draft of, sent to Secretary of State, II. 163, 199. Draft of, approved by Government of India, II. 163.

Act XXVIII. of 1865 :
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Ameerchund Bechardass, debtor to bank :
Evidence as to his loan, by ; A. Brown, I. 54. Blair, II. 70.

American War.—Effect of cessation of, I. 32, 111 ; II. 226.

Anstey, Hon. Mr. Justice :
References to judgment of, by ; Lidderdale, I. 17. Bullock, I. 69. Tyndall, I. 111.

Asiatic Banking Corporation, debtor to bank :
Evidence as to dealings with bank. Lidderdale, I. 18 and 112–114. W. Steel, I. 26. Baker, I. 27 and 120–122. C. E. Chapman, I. 39. Bullock, I. 48. A. Brown, I. 54–56. Premchund, I. 72, 74, 75, 87, 100. Norman, I. 105–107. Cassinath Babajee, I. 108. Stuart, I. 116. Birch, II. 16. A. D. Robertson, II. 40. Blair, II. 65. D. Robertson, II. 119, 121, 126, 135, 137. Maclean, II. 179–181. Lushington, II. 194–196. Sir Bartle Frere, II. 229, 232. Morrison, II. 236–239. *See also, Morrison, Mr. A.*

Asiatic Trading Company :
Premchund's evidence as to, I. 72, 78.

Atmaram Madhowjee, debtor to bank :
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Back Bay Company :
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Baker, Mr.—late deputy manager, Asiatic Bank, Bombay :
His evidence on the following subjects : Asiatic Bank, I. 27. Account in name of Nusserwanjee Ruttonjee and Co., I., 102. Cash credits to Asiatic Bank, I. 119, 120.

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Ballard, Colonel, Government director :
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Barker, Mr., Assistant, Asiatic Bank :
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Bendir, Mr., debtor to bank :
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Bengal, Bank of :
Reference to charter of, I. 6 ; II. 34, 199. Letter from, as to advances on shares, I. 7 ; II. 55.

Benn, Mr., Auditor of bank :
His evidence, I. 112.

Best, Mr., debtor to bank :
His evidence, I. 25, 26. Evidence relating to by ; Premchund, I. 82. Birch, II. 19. F. L. Brown, II. 27. Blair, II. 72.

Betts, Mr., share broker :
His evidence as to prices of shares, I. 106.

Bhow Dajee, debtor to bank :
His evidence, I. 46. Loan from Kalbadevi branch, I. 46. Bullock's evidence as to, I. 67. Blair's ditto, II. 72.

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Birch, Mr. S. D., President of Bank :
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Blair, Mr. James, Secretary and Treasurer to bank :
His order for omission of cash credits from application book, I. 4. His misleading the board I. 11. His resignation, I. 14, 52 ; II. 247. His allotments of shares, I. 71–73, 79. His granting cash credits without security, I. 73. His trafficking in shares, I. 74. His loans from Premchund, I. 74, 75, 77, 78. His loans from Roychund, I. 75, 101. The directors' knowledge of his speculations, I. 75. His management of bank, I. 90, 101. His joint speculations with Morrison, I. 74, 100. Brokerage not charged to, by Premchund, I. 101. His statement regarding shares being deposited for safe custody, I. 102. Evidence regarding him, by ; Birch, II. 8, 183. McIlwraith, II. 82, 83. Gavin Steel, II. 170. Morrison, II. 239. Hannay, II. 247. His offices, II. 4. Medical certificates as to health of, II. 4, 5. His written statements, II. 50.

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BRICE & Co., debtors to bank:
References to, in evidence, I. 32, 45; II. 70, 103.

BROWN, HONOURABLE A., Director of bank:
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BROWN, MR. F. L., debtor to bank:
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BULLOCK, MR., Manager of Kalbadevi branch:
Evidence affecting, by, Davidass Luckmidass, I. 35. Jumnadass Doolubdas, I. 36. Burjorjee Rustomjee, I. 39. Bhow Dajee, I. 46. Premchund, I. 77, 101. Birch, II. 22. Blair, II. 61. D. Robertson, II. 111, 113.

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BURJORJEE RUSTOMJEE, debtor to bank:
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BYRAMJEE NANABHOY FRAMJEE, debtor to bank:
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CASSEL, MR. W., Director of bank:
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CASSINATH BABAJEE, clerk in bank:
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CHAPMAN, MR. C. E., Government director:
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CHAPMAN, MR. F. S., Government director:
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CLARKE, MR., assistant in bank:
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COUCH, SIR R., Chief Justice, Bombay:
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COURVOISIER, MR.:
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COWASJEE JEHANGEER, director of bank:
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COWASJEE MANOCKJEE, director of bank:
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CURSONDASS MATHURADASS, debtor to bank:
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DADABHOY BYRAMJEE, debtor to bank:
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DADY MUSSERWANJEE DADY, debtor to bank:
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DALHOUSIE, LORD:
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DAVIDASS LUCKMIDASS, debtor to bank:
His evidence, I. 35. Evidence affecting by, Bullock, I. 66–68. D. Robertson, II. 112.

DE CUNHA, MR., clerk in bank:
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DE GA, MR., ledger keeper in bank:
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DE QUADROS, MR., debtor to bank:
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DICKSON, MR., Secretary, Bank of Bengal:
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DINSHAW MANOCKJEE, member of Committee on bank losses:
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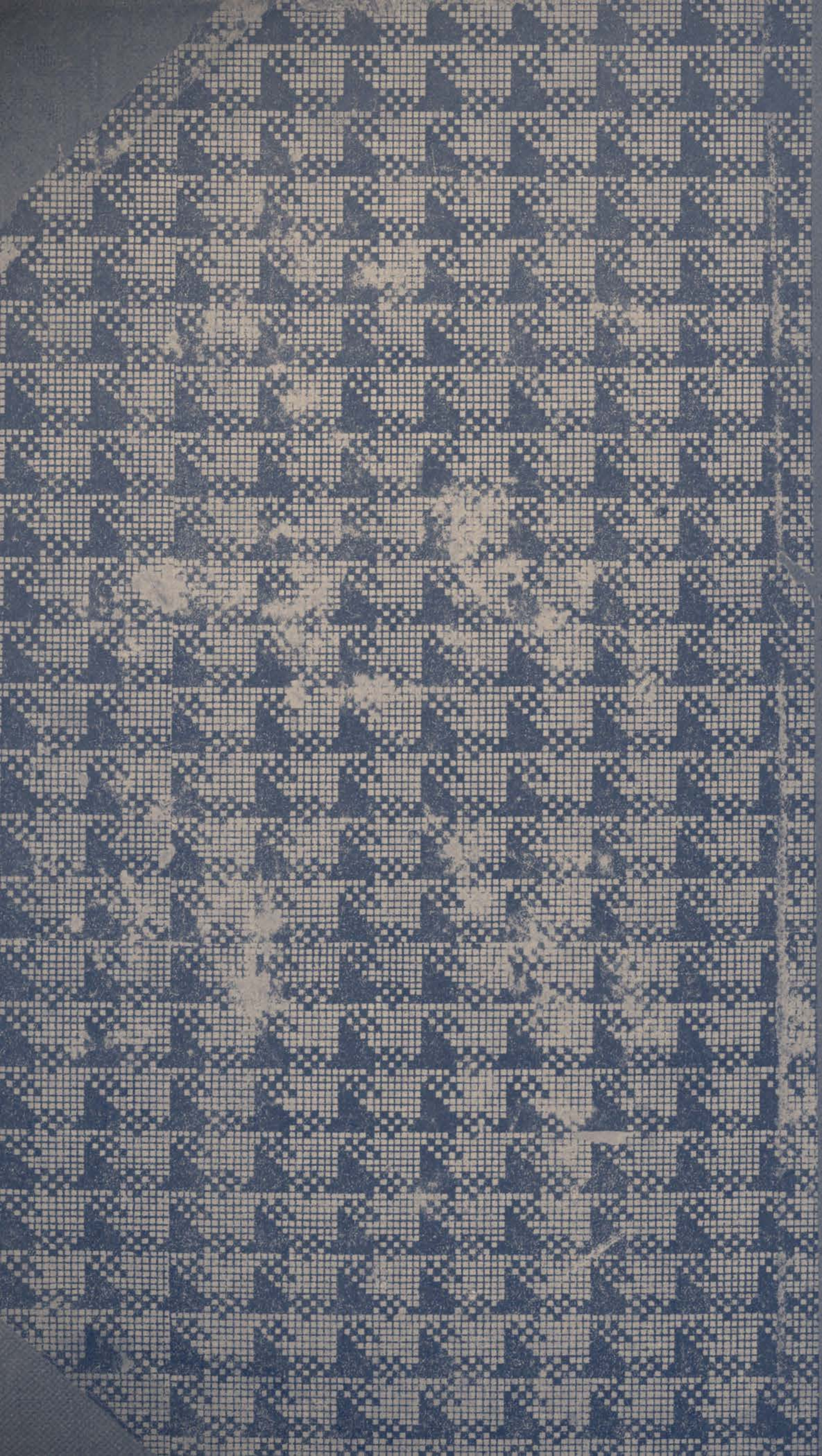
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